



**UMZIMVUBU**  
— LOCAL MUNICIPALITY —

***FINANCIAL STATEMENTS***

***30 JUNE 2015***

# Index

TO

THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

<i>Contents</i>	<i>Page</i>
General Information	1
Approval of the Financial Statements	4
Report of the Auditor General	6
Report of the Chief Financial Officer	7
Statement of Financial Position	13
Statement of Financial Performance	14
Cash Flow Statement	15
Statement Of Changes in Net Assets	16
Statement of Comparison of Budget and Actual Amounts	17
Accounting Policies	20
Notes to the Financial Statements	40
<b>ANNEXURES as per GRAP 1.12</b>	
A Schedule of External Loans	80
B Analysis of Property, Plant and Equipment	81
C Segmental Analysis of Property, Plant and Equipment	85
D Segmental Statement of Financial Performance	86
E (1) Reconciliation of financial performance by standard classification	87
E (2) Reconciliation of budgeted financial performance by municipal vote	88
E (3) Reconciliation of budgeted financial performance	89
E (4) Reconciliation of budgeted capital expenditure	90
E (5) Reconciliation of budgeted cash flows	91
F Disclosure of Grants and Subsidies in terms of section 123 of MFMA, 56 of 2003	92
G Disclosure of the Remuneration of Management	93
H Ratio analyses as required by MFMA (Circular 71)	99

**GENERAL INFORMATION**  
**TO**  
**THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**  
**MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2015**

<b>Mayor</b>	<b>Speaker</b>	<b>Chief Whip</b>
KS Pangwa	ZO Sisilana	N Mbele
<b>Members</b>		<b>Portfolio</b>
MV Nkqayi		Infrastructure and Planning
VA Bulana		Community Services
LT Qasha		Corporate Services
Z Ndevu		Budget and Treasury
EN Ngalonkulu - Lebelo		Communications and SPU
N Mpumlwana		Local Economic Development
N Nkula		Exco Member
PK Thingathinga		Exco Member

**AUDITORS**

Auditor-General  
East London  
Eastern Cape

**BANKERS**

First National Bank  
Mount Frere

**ATTORNEYS**

**REGISTERED OFFICE**

Erf 813 Main Street Mount Frere	Private Bag X9020 Mount Frere 5090	Tel: (039) 255 0166 Fax: (039) 255 0167
------------------------------------	------------------------------------------	--------------------------------------------

Webpage: [www.umzimvubu.gov.za](http://www.umzimvubu.gov.za)

**MUNICIPAL MANAGER**

Mr. G.P.T. Nota

**CHIEF FINANCIAL OFFICER**

Mrs X. Venn

**GENERAL INFORMATION (continued)**  
**TO**  
**THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**LEGAL FORM**

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

**OBJECTIVES**

The municipality strives, within its financial and administrative capacity, to achieve the following objects:

to provide democratic and accountable government for local communities  
to ensure the provision of services to communities in a sustainable manner  
to promote social and economic development  
to promote a safe and healthy environment  
to encourage the involvement of communities and community organisations in the matters of local government

**GRADING**

Grade 3

**DEMARCATIION CODE**

EC 442

**JURISDICTION**

Greater Umzimvubu area which includes:  
Mount Frere, Mount Ayliff  
and  
various rural areas

**2014/15**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**MEMBERS OF THE UMZIMVUBU LOCAL MUNICIPALITY**

**COUNCILLORS**

**WARD**

**PROPORTIONAL**

1	FJ Hem	N Nkula
2	AL Mwezula	SP Myingwa
3	MV Nkqayi	EN Ngalonkulu-Lebelo
4	MM Mpepanduku	N Mpumlwana
5	M Mpakumpaku	NE Pakkies
6	X Jona	T Mabindisa
7	NM Mlenzana	MM Gwanya
8	M Jojo	AZ Gwebani
9	ZJ Mendu	N Boyce
10	V Nyangane	NO Godlo
11	N Gogela	LT Qasha
12	ZB Mtebele	B Mngweba
13	CT Ndawo	NP Mlandu
14	BMA Zililo	UN Makanda
15	N Sonyabashi	PK Thingathinga
16	SAN Cekeshe	TA Mambi
17	S Mankanku	F Ntwakumba
18	NT Xezu	ZO Sisilana
19	N Jijana	N Mbele
20	V Ngabaza	KS Phangwa
21	FN Ngonyolo	NN Gcadinja
22	CM Ngalonkulu	VA Bulana
23	BT Ngqasa	N Mpanda
24	MH Kwekwile	SK Mnukwa
25	NA Sobahle	Z Ndevu
26	NP Ndabeni	B Ripa
27	S Nogcantsi	NA Matshongo

## **APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2015**

### **Accounting Officer's Responsibilities and Approval**

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is primarily responsible for the financial affairs of the municipality.

The accounting officer certifies that the salaries, allowances and benefits of the councillors as disclosed in the notes to the financial statements are within the upper limits of the framework envisaged by section 219 of the Constitution read in conjunction with the Remuneration of Public Office Bearers Act and Minister of Provincial and Local Governments determination in accordance with this Act.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

are set out on pages 13 to 79 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

---

**Mr. G.P.T. Nota**  
**Municipal Manager**

---

**Date**

**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**These Financial Statements have not been audited**



# UMZIMVUBU LOCAL MUNICIPALITY

## ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2015

### REPORT OF THE CHIEF FINANCIAL OFFICER

#### 1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Umzimvubu Local Municipality at 30 June 2015.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2014/15 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

#### 2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

##### 2.1 Financial Statement Ratios:

INDICATOR	2015	2014
Surplus / (Deficit) for the year ended	30 667 470	79 704 465
Surplus / (Deficit) Accumulated as at	430 757 068	400 089 598
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	24.58%	27.34%
Remuneration of Councillors	7.10%	8.30%
Depreciation and Amortisation	14.94%	18.11%
Impairment Losses	3.27%	1.35%
Repairs and Maintenance	0.94%	1.40%
Interest Paid	2.67%	1.15%
Contracted Services	3.56%	3.39%
Grants and Subsidies Paid	1.68%	2.02%
General Expenses	26.82%	28.37%
Government Grants (Conditional)	2.98%	8.38%
Loss on Disposal of Property, Plant and Equipment	11.46%	0.19%
Current Ratio:		
Trade Creditors Days	35	33
Debtors	158	262

##### 2.2 Performance Indicators:

INDICATOR	2015	2014
<b>Financial Position</b>		
Debtors Management:		
Outstanding Debtors to Revenue	4.74%	9.63%
Liquidity Management:		
Liquidity Ratio	0.58	1.22
Liability Management:		
Capital Cost as percentage of Own Revenue	114.73%	7.72%
Financial Viability:		
Debt Coverage	0.92	6.94
Cost Coverage	0.14	0.31
<b>Financial Performance</b>		
Expenditure Management:		
Creditors to Cash and Investments	49.79%	28.33%

## ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2015

A detailed ratio analysis, together with explanations, is included in Appendix "H".

### 3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Umzimvubu Local Municipality can generally be classified as Rates and General and Economic Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2015 are as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
<b>Income:</b>					
Opening surplus / (deficit)	400 089 597	320 385 133	24.88	-	100.00
Operating income for the year	236 600 276	246 488 019	(4.01)	288 601 138	(18.02)
Appropriations for the year		-		-	-
	636 689 873	566 873 151	12.32	288 601 138	120.61
<b>Expenditure:</b>					
Operating expenditure for the year	205 932 807	166 783 553	23.47	245 127 835	(15.99)
Appropriations for the year				-	-
Closing surplus / (deficit)	430 757 066	400 089 597	7.67	43 473 303	890.85
	636 689 873	566 873 150	12.32	288 601 138	120.61

#### 3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	232 916 566	237 847 396	(2.07)	285 851 138	(18.52)
Expenditure	189 901 827	154 604 478	22.83	229 909 934	(17.40)
Surplus / (Deficit)	43 014 739	83 242 918	(48.33)	55 941 205	(23.11)
Surplus / (Deficit) as % of total income	18.47%	35.00%		19.57%	

#### 3.2 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	3 683 710	8 640 623	(57.37)	2 750 000	33.95
Expenditure	16 030 980	12 179 075	31.63	15 217 901	5.34
Surplus / (Deficit)	(12 347 270)	(3 538 452)	248.95	(12 467 901)	(0.97)
Surplus / (Deficit) as % of total income	(335.19)%	(40.95)%		(453.38)%	

### 4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R84 593 094 (2013/14: R134 029 239). Full details of Assets are disclosed in Notes 8, 9, 10, 11 and Appendices "B, C and E (4)" to the Annual Financial Statements.

**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2015	2014
Grants and Subsidies	144.08%	37.46%

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

**5. RECONCILIATION OF BUDGET TO ACTUAL**

**5.1 Operating Budget:**

DETAILS	2015	2014
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	43 473 303	118 656 230
Revenue variances	(52 000 862)	(63 996 566)
Expenditure variances:		
Employee Related Costs	226 876	1 657 785
Remuneration of Councillors	1 916 509	6 219
Depreciation and Amortisation	2 217 027	(3 745 173)
Impairment Losses	125	12 310 229
Repairs and Maintenance	1 440 445	266 556
Interest Paid	25 618 000	(79 226)
Contracted Services	-	177 105
Grants and Subsidies Paid	130 362	6 047 633
General Expenses	6 279 492	2 624 684
Government Grants (Conditional)	1 366 193	3 103 962
Loss on disposal of Property, Plant and Equipment		2 675 026
Actual surplus before appropriations	30 667 469	79 704 466

DETAILS	2015	2014
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	43 473 303	118 656 230
Executive and Council	3 403 161	3 108 953
Finance and Administration	(10 072 077)	(1 839 740)
Planning and Development	(7 831 138)	(52 084 800)
Community and Social Services	172 313	15 620
Public Safety	1 401 276	7 129 913
Waste Management	120 632	4 718 290
Actual surplus before appropriations	30 667 470	79 704 466

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

**5.2 Capital Budget:**

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Variance actual 2014/15 / 2013/14 R	Budgeted 2014/15 R	Variance actual/ budgeted R
Executive and Council	82 862	129 003	(46 141)	161 240	(78 378)
Budget and Treasury	1 584 327	917 068	667 259	1 800 000	(215 673)
Corporate Services	1 426 219	877 622	548 596	4 396 271	(2 970 053)
Local Economic Development	37 450	3 941 271	(3 903 821)	1 525 000	(1 487 550)
Infrastructure and Planning	79 237 181	108 872 443	(29 635 261)	81 530 527	(2 293 346)
Community and Social Services	832 674	14 054 779	(13 222 106)	8 030 000	(7 197 326)
Waste Management	1 007 179	3 907 790	(2 900 611)	2 790 000	(1 782 821)
Public Safety	385 203	1 329 262	(944 060)	2 686 266	(2 301 063)
	84 593 094	134 029 239	(49 436 145)	102 919 304	(18 326 210)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

**6. ACCUMULATED SURPLUS**

The balance of the Accumulated Surplus as at 30 June 2015 amounted to R430 757 068 (30 June 2014: R400 089 598) and is made up as follows:

Capital Replacement Reserve	5 014 475
Capital Contributions from Government	364 892 879
Accumulated Surplus	60 849 714
	<u>430 757 068</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Government Contributions are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 20 and the Statement of Change in Net Assets for more detail.

**7. LONG-TERM LIABILITIES**

The outstanding amount of Long-term Liabilities as at 30 June 2015 was R0 (30 June 2014: R32 995 163).

Loans to the amount of R0 (2013/14: R50 000 000) was taken up during the financial year to enable the municipality to assist with bridging finance for the electrification of the area.

Refer to Note 17 and Appendix "A" for more detail.

**8. EMPLOYEE BENEFIT LIABILITIES**

Employee Benefit Liabilities amounted R1 011 912 as at 30 June 2015 (30 June 2014: R842 751) and is made up as follows:

Long Service Awards Liability	1 011 912
	<u>1 011 912</u>

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 18 for more detail.

# ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2015

## 9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R9 040 445 as at 30 June 2015 (30 June 2014: R6 158 527) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	9 040 445
	<u>9 040 445</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

## 10. CURRENT LIABILITIES

Current Liabilities amounted R43 267 408 as at 30 June 2015 (30 June 2014: R34 742 452) and is made up as follows:

Provisions	Note 12	159 898
Payables from Exchange Transactions	Note 13	12 572 194
Payables from Non-exchange Transactions	Note 14	2 393 845
Unspent Conditional Grants and Receipts	Note 15	1 420 605
Current Portion of Long-term Liabilities	Note 17	<u>26 715 764</u>
		<u>43 267 408</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

## 11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R417 604 717 as at 30 June 2015 (30 June 2014: R388 551 450).

Refer to Note 8 and Appendices "B, C and E (4)" for more detail.

## 12. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 152 672 as at 30 June 2015 (30 June 2014: R1 378 537).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 9 and Appendix "B" for more detail.

## 13. INVESTMENT PROPERTY

The net value of Investment Properties were R20 411 575 as at 30 June 2015 (30 June 2014: R20 411 575).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 10 and Appendix "B" for more detail.

## 14. HERITAGE ASSETS

The net value of Heritage Assets were R17 719 as at 30 June 2015 (30 June 2014: R17 719).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 11 and Appendix "B" for more detail.

**ANNUAL FINANCIAL STATEMENTS**  
**for the year ended 30 June 2015**

**15. CURRENT ASSETS**

Current Assets amounted R44 890 150 as at 30 June 2015 (30 June 2014: R64 469 208) and is made up as follows:

Inventories	Note 2	328 105
Receivables from Exchange Transactions	Note 3	2 250 667
Receivables from Non-exchange Transactions	Note 4	5 451 925
VAT Receivable	Note 5	11 518 597
Cash and Cash Equivalents	Note 6	25 251 175
Operating Lease Assets	Note 7	89 681
		44 890 150

The decrease in the amount for Current Assets is mainly due to the decrease in the amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

**16. INTER-GOVERNMENTAL GRANTS**

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 15 and 25, and Appendix "F" for more detail.

**17. EVENTS AFTER THE REPORTING DATE**

Full details of all known events, if any, after the reporting date are disclosed in Note 60.

**18. EXPRESSION OF APPRECIATION**

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

\_\_\_\_\_  
CHIEF FINANCIAL OFFICER

**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015**

	Note	Actual	
		2015	2014
		R	R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>44 890 150</b>	<b>64 469 208</b>
Inventories	2	328 105	378 389
Receivables from Exchange Transactions	3	2 250 667	4 263 219
Receivables from Non-exchange Transactions	4	5 451 925	10 395 098
VAT Receivable	5	11 518 597	6 834 918
Cash and Cash Equivalents	6	25 251 175	42 476 321
Operating Lease Receivables	7	89 681	121 263
<b>Non-Current Assets</b>		<b>439 186 683</b>	<b>410 359 281</b>
Property, Plant and Equipment	8	417 604 717	388 551 450
Intangible Assets	9	1 152 672	1 378 537
Investment Property	10	20 411 575	20 411 575
Heritage Assets	11	17 719	17 719
<b>Total Assets</b>		<b>484 076 833</b>	<b>474 828 489</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>43 267 408</b>	<b>34 742 452</b>
Current Portion of Employee Benefit Liability	12	159 898	134 814
Payables from Exchange Transactions	13	12 572 194	12 034 916
Payables from Non-exchange Transactions	14	2 393 845	2 404 546
Unspent Conditional Grants and Receipts	15	1 420 605	2 575 259
Operating Lease Liabilities	16	5 102	
Current Portion of Long-term Liabilities	17	26 715 764	17 592 917
<b>Non-Current Liabilities</b>		<b>10 052 357</b>	<b>39 996 441</b>
Long-term Liabilities	17		32 995 163
Employee Benefit Liabilities	18	1 011 912	842 751
Non-current Provisions	19	9 040 445	6 158 527
<b>Total Liabilities</b>		<b>53 319 765</b>	<b>74 738 892</b>
<b>Total Assets and Liabilities</b>		<b>430 757 068</b>	<b>400 089 597</b>
<b>NET ASSETS</b>		<b>430 757 068</b>	<b>400 089 598</b>
Accumulated Surplus / (Deficit)	20	430 757 068	400 089 598
<b>Total Net Assets</b>		<b>430 757 068</b>	<b>400 089 598</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Actual	
		2015	2014
		R	R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>			
Property Rates	21	8 945 786	8 468 165
Fines	22	1 670 450	7 011 338
Licences and Permits	23	2 381 473	2 680 885
Income from Agency Services	24	1 400 182	1 392 701
Government Grants and Subsidies Received	25	210 997 462	217 028 021
Public Contributions and Donations	26	3 000	120 300
<b>Revenue from Exchange Transactions</b>			
Service Charges	27	1 426 599	1 325 645
Rental of Facilities and Equipment	28	1 282 767	1 804 263
Interest Earned - External Investments	29	3 704 587	3 173 126
Interest Earned - Outstanding Debtors	29	1 516 359	1 139 373
Other Revenue	30	2 761 655	1 946 952
Gains on Disposal of Property, Plant and Equipment			397 250
Profit on Sale of Land:-	31	509 957	
Sale of Land		511 470	
Cost of Sales		(1 513)	
<b>Total Revenue</b>		<b>236 600 276</b>	<b>246 488 019</b>
<b>EXPENDITURE</b>			
Employee Related Costs	32	50 612 945	45 599 361
Remuneration of Councillors	33	14 621 700	13 847 864
Depreciation and Amortisation	34	30 756 916	30 206 134
Impairment Losses	35	6 731 805	2 249 770
Repairs and Maintenance	36	1 936 177	2 331 654
Finance Costs	37	5 498 655	1 914 921
Contracted Services	38	7 341 493	5 646 406
Grants and Subsidies Paid	39	3 457 057	3 371 167
General Expenses	40	55 229 135	47 322 460
Government Grants (Conditional)	41	6 140 700	13 968 844
Loss on Disposal of Property, Plant and Equipment	42	23 606 224	324 974
<b>Total Expenditure</b>		<b>205 932 807</b>	<b>166 783 553</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>30 667 470</b>	<b>79 704 465</b>
Refer to Budget Statement for explanation of budget variances			



**UMZIMVUBU LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

		Actual	
		2015	2014
	Note	R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		9 676 442	5 679 457
Government Grant and Subsidies		209 842 807	196 036 249
Public Contributions and Donations		3 000	120 300
Service Charges		2 353 579	3 119 903
Interest Received		4 100 102	3 876 225
Other Receipts		11 214 046	3 332 730
<b>Payments</b>			
Employee Related Costs		(50 418 700)	(45 563 071)
Remuneration of Councillors		(14 621 700)	(13 847 864)
Interest Paid		(5 498 655)	(1 914 921)
Suppliers Paid		(72 928 401)	(73 261 739)
Other Payments		(3 458 570)	(3 696 141)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>46</b>	<b>90 263 949</b>	<b>73 881 130</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(84 200 133)	(133 538 709)
Purchase of Intangible Assets		(392 961)	(490 530)
Proceeds on Disposal of Property, Plant and Equipment		464 843	632 308
Proceeds on Sale of Land		511 470	2 893 322
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(83 616 781)</b>	<b>(130 503 609)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Borrowings			50 000 000
Repayment of Borrowings		(23 872 315)	(348 650)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(23 872 315)</b>	<b>49 651 350</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(17 225 147)</b>	<b>(6 971 129)</b>
Cash and Cash Equivalents at Beginning of Period		42 476 321	49 447 451
Cash and Cash Equivalents at End of Period		25 251 175	42 476 321

**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015**

Description	Total
<b>2014</b>	
Balance at 30 June 2013	320 385 133
<b>Restated Balance 30 June 2013</b>	<b>320 385 133</b>
Surplus / (Deficit) for 2013/14	79 704 464
<b>Balance at 30 June 2014</b>	<b>400 089 597</b>
<b>2015</b>	
Surplus / (Deficit) for the year 2014/15	30 667 470
<b>Balance at 30 June 2015</b>	<b>430 757 066</b>

Details on the movement of the Funds and Reserves are set out in Note 20.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015**

The budget was approved on an accrual basis by nature classification.

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>FINANCIAL PERFORMANCE</b>											
<b>Revenue from Non-exchange Transactions</b>											
Property Rates	10 000 000		10 000 000			10 000 000	8 945 786		(1 054 214)	89.46	89.46
Fines	800 000	(400 000)	400 000			400 000	1 670 450		1 270 450	417.61	208.81
Licences and Permits	2 557 000	(107 000)	2 450 000			2 450 000	2 381 473		(68 527)	97.20	93.14
Income for Agency Services	1 310 000		1 310 000			1 310 000	1 400 182		90 182	106.88	106.88
Government Grants and Subsidies Received	141 431 000	27 214 000	168 645 000		(24 496 152)	144 148 848	142 885 020		(1 263 828)	99.12	101.03
Public Contributions and Donations	125 000	3 000	128 000			128 000	3 000		(125 000)	2.34	2.40
<b>Revenue from Exchange Transactions</b>											
Service Charges	2 500 000		2 500 000			2 500 000	1 426 599		(1 073 401)	57.06	57.06
Rental of Facilities and Equipment	1 497 000	181 673	1 678 673			1 678 673	1 282 767		(395 906)	76.42	85.69
Interest Earned - External Investments	1 900 000	250 000	2 150 000			2 150 000	3 704 587		1 554 587	172.31	194.98
Interest Earned - Outstanding Debtors	1 300 000	100 000	1 400 000			1 400 000	1 516 359		116 359	108.31	116.64
Other Income	17 491 000	(541 800)	16 949 200		128 000	17 077 200	2 761 655		(14 315 545)	16.17	15.79
Gains on Disposal of Property, Plant and Equipment	111 829	688 171	800 000			800 000			(800 000)		
Profit on Sale of Land	150 000	1 490 626	1 640 626		(1 513)	1 639 113	509 957		(1 129 156)	31.11	339.97
<b>Total Revenue</b>	<b>181 172 829</b>	<b>28 878 670</b>	<b>210 051 499</b>		<b>(24 369 665)</b>	<b>185 681 834</b>	<b>168 487 835</b>		<b>(17 193 999)</b>	<b>90.74</b>	<b>93.00</b>
<b>Expenditure</b>											
Employee Related Costs	52 557 000	(1 717 177)	50 839 823		(2)	50 839 821	50 612 945		(226 876)	99.55	96.30
Remuneration of Councillors	14 657 860	1 880 349	16 538 209			16 538 209	14 621 700		(1 916 509)	88.41	99.75
Collection Costs											
Depreciation and Amortisation	31 860 000	3 140 000	35 000 000		(2 026 057)	32 973 943	30 756 916		(2 217 027)	93.28	96.54
Impairment Losses	11 894 400	11 601 600	23 496 000		(16 764 071)	6 731 929	6 731 805		(125)	100.00	56.60
Repairs and Maintenance	3 474 622	(98 000)	3 376 622			3 376 622	1 936 177		(1 440 445)	57.34	55.72
Finance Costs	21 000		21 000		31 095 655	31 116 655	5 498 655		(25 618 000)	17.67	26 184.07
Bulk Purchases											
Contracted Services	1 530 000		1 530 000		5 811 493	7 341 493	7 341 493			100.00	479.84
Grants and Subsidies Paid	4 558 560		4 558 560		(971 141)	3 587 419	3 457 057		(130 362)	96.37	75.84
General Expenses	61 084 926	13 036 422	74 121 348		(12 612 721)	61 508 627	55 229 135		(6 279 492)	89.79	90.41
Government Grants (Conditional)	6 158 452	2 141 578	8 300 030		(793 137)	7 506 893	6 140 700		(1 366 193)	81.80	99.71
Loss on Disposal of Property, Plant and Equipment					23 606 224	23 606 224	23 606 224			100.00	
<b>Total Expenditure</b>	<b>187 796 820</b>	<b>29 984 772</b>	<b>217 781 592</b>		<b>27 346 243</b>	<b>245 127 835</b>	<b>205 932 807</b>		<b>(39 195 028)</b>	<b>84.01</b>	<b>109.66</b>
<b>Surplus/(Deficit)</b>	<b>(6 623 991)</b>	<b>(1 106 102)</b>	<b>(7 730 093)</b>		<b>(51 715 908)</b>	<b>(59 446 001)</b>	<b>(37 444 972)</b>		<b>22 001 029</b>		
Transfers Recognised - Capital	68 294 000		68 294 000		34 625 304	102 919 304	68 112 442		(34 806 862)	66.18	99.73
<b>Surplus/(Deficit for the Year)</b>	<b>61 670 009</b>	<b>(1 106 102)</b>	<b>60 563 907</b>	<b>-</b>	<b>(17 090 604)</b>	<b>43 473 303</b>	<b>30 667 470</b>	<b>--</b>	<b>(12 805 834)</b>	<b>70.54</b>	<b>49.73</b>

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates:

Write off of Municipal owned properties, church properties , and RDP properties

Fines:

Implimentation of GRAP 23 with reference to IGRAP1.

Licences and Permits:

Increased collection levels

Income for Agency Services:

Income for Agency Services exceeded budgetary expectations.

Government Grants and Subsidies Received:

Unspent conditional grants fro previous years were spend during the year and therefore increased the revenue acknowledged from said grants.

Service Charges:

Write off of services from Municipal owned properties.

Rental of Facilities and Equipment:  
Outstanding amounts was received during the year.

Interest Earned - External Investments:  
Interest Earned exceeded the budgetary expectations due to unspent grants invested.

Interest Earned - Outstanding Debtors:  
It was budgeted only for the portion of interest expected to be paid by debtors.

Other Income:  
Included in budgeted income are operating savings from previous periods which are already transferred to the Accumulated Surplus. This is to present a balance budget (not with a deficit to comply with the MFMA) but actual amounts will exclude this as these amounts have been acknowledged as revenue before during previous financial years.

Gains on Disposal of Property, Plant and Equipment:  
It is never sure how much the sale of PPE will generate from auctions and accordingly the budget was conservative.

Profit on Sale of Land:  
Land Sales ended up being a loss due to the sale of property under market value for the development of low cost housing.

Employee Related Costs:  
Employers cost were budgeted as if all positions will be filled at all times. Some positions were vacant for periods of time. New appointments leave a position vacant for at least one month.

Depreciation and Amortisation:  
Depreciation and Amortisation increased beyond budgetary expectations because of the review of remaining useful lives of assets.

Impairment Losses:  
The budget included amounts which was expected to be written off during the year. The Provision for Impairment however was more than enough to cater for this expense.

Repairs and Maintenance:  
Some repairs and maintenance were capital by nature and therefore capitalise as assets.

Finance Costs:  
A loan was taken up from the DBSA for assistance with the electrification of the area. No interest was budgeted for this loan.

Grants and Subsidies Paid:  
Over budgeted for Indigent Subsidies paid.

General Expenses :  
Over budgeted for General Expenses.

Loss on Disposal of Property, Plant and Equipment:  
The pre-schools were all transferred to the local communities and the carrying value of these assets resulted in an un-budgeted loss.

Transfers Recognised - Capital:  
Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE PER FUNCTION</b>											
Executive and Council	840 000	1 053 240	1 893 240	-	(1 732 000)	161 240	82 862	-	(78 378)	51.39	9.86
Budget and Treasury	1 300 000	100 000	1 400 000	-	400 000	1 800 000	1 584 327	-	(215 673)	88.02	121.87
Corporate Services	4 239 540	60 000	4 299 540	-	96 731	4 396 271	1 426 219	-	(2 970 053)	32.44	33.64
Local Economic Development	5 125 681	(3 576 000)	1 549 681	-	(24 681)	1 525 000	37 450	-	(1 487 550)	2.46	0.73
Infrastructure and Planning	62 446 665	25 850 000	88 296 665	-	(6 766 138)	81 530 527	79 237 181	-	(2 293 346)	97.19	126.89
Community and Social Services	30 000	-	30 000	-	8 000 000	8 030 000	832 674	-	(7 197 326)	10.37	2 775.58
Waste Management	3 590 000	(1 488 734)	2 101 266	-	688 734	2 790 000	1 007 179	-	(1 782 821)	36.10	28.06
Public Safety	2 851 266	(61 266)	2 790 000	-	(103 734)	2 686 266	385 203	-	(2 301 063)	14.34	13.51
<b>Total Capital Expenditure</b>	<b>80 423 152</b>	<b>21 937 240</b>	<b>102 360 392</b>		<b>558 912</b>	<b>102 919 304</b>	<b>84 593 094</b>		<b>(18 326 210)</b>	<b>82.19</b>	<b>105.19</b>

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:  
Savings realised on capital items budgeted for and not procured.

Finance and Administration:  
Savings realised on capital items budgeted for and not procured.

Planning and Development:  
Some projects delayed and expenditure overlapped to the next financial year.

Community and Social Services:  
Savings realised on capital items budgeted for and not procured.

Public Safety:  
Savings realised on capital items budgeted for and not procured.

Waste Management:

E/S and MIG Projects not finalised - Budget rolled over to 2015/16 for completion in there next financial year.

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R	R	R	R	R	R	R	R	R	R	R	R
<b>CASH FLOW</b>											
<b>Cash Flows from/(used in) Operating Activities</b>											
Property Rates	10 000 000		10 000 000			10 000 000	9 676 442		(323 558)	96.76	96.76
Grants	209 725 000	27 336 000	237 061 000		(27 061 000)	210 000 000	209 842 807		(157 193)	99.93	100.06
Public Contributions and Donations	125 000	3 000	128 000		(123 000)	5 000	3 000		(2 000)	60.00	2.40
Service Charges	2 500 000		2 500 000		(100 000)	2 400 000	2 353 579		(46 421)	98.07	94.14
Interest Received	3 200 000	350 000	3 550 000		950 000	4 500 000	4 100 102		(399 898)	91.11	128.13
Other Receipts	23 653 809	(2 712 809)	20 941 000		19 059 000	40 000 000	11 214 046		(28 785 954)	28.04	47.41
Employee Related Costs	(52 557 000)	1 717 177	(50 839 823)		439 823	(50 400 000)	(50 418 700)		(18 700)		
Remuneration of Councillors	(14 657 860)	(1 880 349)	(16 538 209)		2 538 209	(14 000 000)	(14 621 700)		(621 700)		
Interest Paid	(21 000)		(21 000)		(4 479 000)	(4 500 000)	(5 498 655)		(998 655)		
Suppliers Paid	(72 248 000)	(36 277 592)	(108 525 592)		37 525 592	(71 000 000)	(72 928 401)		(1 928 401)		
Other Payments	(4 558 560)	(10 000)	(4 568 560)		1 168 560	(3 400 000)	(3 458 570)		(58 570)		
<b>Cash Flows from/(used in) Investing Activities</b>											
Purchase of Property, Plant and Equipment	(80 423 152)	(21 937 240)	(102 360 392)		18 360 392	(84 000 000)	(84 200 133)		(200 133)		
Purchase of Intangible Assets					(150 000)	(150 000)	(392 961)		(242 961)		
Proceeds on Disposal of Property, Plant and Equipment	111 829	688 171	800 000		(300 000)	500 000	464 843		(35 157)	92.97	415.67
Proceeds on Disposal of Intangible Assets					25 000	25 000			(25 000)		
Profit on Sale of Land	150 000	1 490 626	1 640 626		(1 090 626)	550 000	511 470		(38 530)	92.99	340.98
<b>Cash Flows from/(used in) Financing Activities</b>											
New Loans raised											
Loans repaid	(17 626 000)		(17 626 000)		(6 244 000)	(23 870 000)	(23 872 315)		(2 315)		
<b>Cash and Cash Equivalents at End of the Year</b>	<b>7 374 066</b>	<b>(31 233 016)</b>	<b>(23 858 950)</b>	<b>-</b>	<b>40 518 950</b>	<b>16 660 000</b>	<b>(17 225 147)</b>	<b>-</b>	<b>(33 885 147)</b>	<b>0.00</b>	<b>0.00</b>

**Cash Flow: Explanation of Variances between Approved Budget and Actual**

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

Proper procedures to budget for Cash Flow have not been developed and implemented. Furthermore, the system utilised does not carry budget for Cash Flow and no budgetary control can be performed.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

##### **1.1 Standards of General Recognised Accounting Practice (GRAP) and Interpretations (IGRAP) issued and effective:**

GRAP 1 - Presentation of Financial Statements (as revised in 2010)  
GRAP 2 - Cash Flow Statements (as revised in 2010)  
GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)  
GRAP 4 - The Effects of Changes in Foreign Exchange Rates (as revised in 2010)  
GRAP 5 - Borrowing Costs (as revised in 2013)  
GRAP 6 - Consolidated and Separate Financial Statements  
GRAP 7 - Investments in Associates  
GRAP 8 - Interests in Joint Ventures  
GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)  
GRAP 10 - Financial Reporting in Hyperinflationary Economies (as revised in 2010)  
GRAP 11 - Construction Contracts (as revised in 2010)  
GRAP 12 - Inventories (as revised in 2010)  
GRAP 13 - Leases (as revised in 2010)  
GRAP 14 - Events After the Reporting Date (as revised in 2010)  
GRAP 16 - Investment Property (as revised in 2010)  
GRAP 17 - Property, Plant and Equipment (as revised in 2010)  
GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)  
GRAP 21 - Impairment of Non-cash-generating Assets  
GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)  
GRAP 24 - Presentation of Budget Information in Financial Statements  
GRAP 25 - Employee Benefits  
GRAP 26 - Impairment of Cash-generating Assets  
GRAP 27 - Agriculture  
GRAP 31 - Intangible Assets  
GRAP 100 - Discontinued Operations (as revised in 2013)  
GRAP 103 - Heritage Assets  
GRAP 104 - Financial Instruments  
IGRAP 1 - Applying the Probability Test on Initial Recognition of Revenue (As revised in 2012)  
IGRAP 2 - Changes in Existing Decommissioning, Restoration and Similar Liabilities  
IGRAP 3 - Determining whether an Arrangement Contains a Lease  
IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds  
IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies  
  
IGRAP 6 - Loyalty Programmes  
IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction  
IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions  
IGRAP 9 - Distributions of Non-cash Assets to Owners  
IGRAP 10 - Assets Received from Customers  
IGRAP 13 - Operating Leases – Incentives  
IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease  
IGRAP 15 - Revenue – Barter Transactions Involving Advertising Services  
IGRAP 16 - Intangible Assets – Website Costs

##### **1.2 Changes in Accounting Policy and Comparability**

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1.3 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

##### 1.3.1 Revenue Recognition

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

##### 1.3.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

##### 1.3.3 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (*Financial Instruments*) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 3 and 4 to the Annual Financial Statements.

##### 1.3.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2 the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 1.3.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 9.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

#### 1.3.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

#### 1.3.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

#### 1.3.8 Defined benefit plan liability

As described in accounting policy note 13 the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit plan obligation of the municipality that has been identified is a Long Service Awards Liability. The related estimated liability is accounted for in accordance with the requirements of GRAP 25 Employee Benefits.

The present value of the Long Service Awards Liability depends on a number of factors that are determined on an actuarial basis using a number of assumptions, such as discount rates, expected rates of return on plan assets, future salary increases, mortality rates and other factors. Any changes in these assumptions will impact on the carrying amount of post retirement obligations and due to the long term nature of Long Service Awards, such estimates are subject to significant uncertainty.

The net effective discount rate used for the purposes of the above-mentioned valuation is determined by the actuary based on various other rates and factors, as detailed in note 18 to the Annual Financial Statements. Such rates are estimated by the actuary and are also subject to significant uncertainty.

#### 1.4 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

#### 1.5 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

#### 1.6 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### 1.7 Standards and Interpretations and amendments to Standards effective and adopted in the current financial year.

GRAP 5 Borrowing Cost and GRAP 100 Discontinued Operations (previously titled Non-Current Assets Held for Sale and Discontinued Operations) have been amended and the amended Standards became effective 1 July 2014. These amended Standards are accounted for as described in accounting policy notes 15 and 10.

#### 1.8 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following Standards of GRAP and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

- |            |                                                                                                  |
|------------|--------------------------------------------------------------------------------------------------|
| • GRAP 18  | Segment Reporting - issued March 2005 (no effective date determined yet)                         |
| • GRAP 20  | Related Party Disclosures (Revised) (no effective date determined yet)                           |
| • GRAP 32  | Service Concession Arrangement Grantor - issued December 2009 (no effective date determined yet) |
| • GRAP 105 | Transfers between Entities under common control - issued November 2010 (effective 1 July 2015)   |



## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- GRAP 106 Transfers between Entities not under common control - issued November 2010 (effective 1 July 2015)
- GRAP 107 Mergers - issued November 2010 (effective 1 July 2015)
- GRAP 108 Statutory Receivables - issued December 2009. (no effective date determined yet)
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset (no effective date determined yet).

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

## 2. NET ASSETS

### 2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

#### 2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.

#### 2.1.2 Capital Contributions from Government

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

## 3. PROPERTY, PLANT AND EQUIPMENT

### 3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

#### 3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

#### 3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
<b>Buildings</b>	25 - 100	<b>Other</b>	
Mobile Offices	5 - 10	Specialist Vehicles	5 - 20
		Other Vehicles	5 - 10
<b>Infrastructure</b>		Office Equipment	3 - 7
Roads and Paving	45 - 50	Furniture and Fittings	5 - 10
Gravel Roads	3 - 10	Watercraft	15
Landfill Sites	10 - 65	Bins and Containers	5
		Specialised Plant and Equipment	10 - 15
<b>Community</b>		Other items of Plant and Equipment	2 - 5
Security	5 - 10		
Recreational Facilities	15 - 60	Library Books	5 - 20

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### **3.4 Land**

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

#### **3.5 Infrastructure Assets**

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

#### **3.6 Incomplete Construction Work**

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

#### **3.7 Leased Assets**

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

#### **3.8 Derecognition**

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

### **4. INTANGIBLE ASSETS**

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

#### **4.1 Initial Recognition**

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### 4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	4		Website	Infinite

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on Impairment of Assets, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

#### 4.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

### 5. INVESTMENT PROPERTY

#### 5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

#### 5.2 Subsequent Measurement

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 25 - 100 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

### 6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

#### 6.1 Initial Recognition

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 6.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

#### 6.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

### 7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

#### 7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

#### 7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

#### 8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

##### Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

##### The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

##### Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

#### 8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  - (i) Derivatives;
  - (ii) Combined instruments that are designated at fair value;
  - (iii) Instruments held for trading;
  - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

#### 8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

**Financial Liabilities that are measured at Fair Value** are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

#### 8.3 Initial and Subsequent Measurement

##### 8.3.1 Financial Assets:

##### Financial Assets measured at Amortised Cost

*Financial Assets at Amortised Cost* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.



## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

*Trade and Other Receivables* (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

#### **Financial Assets measured at Fair Value**

*Financial Assets at Fair Value* are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

#### **8.3.2 Financial Liabilities:**

##### **Financial Liabilities measured at Fair Value**

*Financial Liabilities at Fair Value* are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

##### **Financial Liabilities held at Amortised Cost**

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

#### **8.4 Impairment of Financial Assets**

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

##### **8.4.1 Financial Assets at Amortised Cost**

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

##### **8.4.2 Financial Assets at Cost**

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

#### **8.5 Derecognition of Financial Assets**

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

#### **8.6 Derecognition of Financial Liabilities**

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

## **9. INVENTORIES**

### **9.1 Initial Recognition**

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

### **9.2 Subsequent Measurement**

#### **9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods**

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the **weighted average** cost of commodities.

#### **9.2.2 Other Arrangements**

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## **10. NON-CURRENT ASSETS HELD-FOR-SALE**

The standard on GRAP 100 Non-current assets held for sale has been amended with effect as of the current year. The amendments led to the following changes in the presentation, classification and measurement of non-current assets held for sale.

(a) Changes to the way in which non-current assets held for sale are measured, applied prospectively at the beginning of the period in which these amendments are adopted.

(b) Changes to the way in which non-current assets held for sale are classified and presented on the statement of financial position and accompanying notes, shall be applied retrospectively by adjusting information for the earliest period presented.

This implies that assets classified as held for sale would be reclassified to its original designation (e.g. Property, plant and equipment) from the first period presented. The assets will be measured based on its original classification.

As per the transitional provision of this standard, management has assessed the residual values, useful lives, depreciation methods, and any indicators of impairment of the reclassified assets at the beginning of the 2014/15 period and not for prior periods. The reclassification was affected in the comparative figures as required by the transitional arrangements.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 11. REVENUE RECOGNITION

##### 11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

*Revenue from Exchange Transactions* refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

*Revenue from Non-exchange Transactions* refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

##### 11.2 Revenue from Exchange Transactions

###### 11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

###### 11.2.2 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

###### 11.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

###### 11.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

###### 11.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

##### 11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### 11.3.2 Fines

Fines are accounted for in accordance with GRAP 23 and from the current year the interpretation was done in accordance with IGRAP 1 as detailed below.

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

#### 11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with GRAP 23.

#### 11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

#### 11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

##### **12.1 Provision for Environmental Rehabilitation**

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

#### 13. EMPLOYEE BENEFIT LIABILITIES

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

##### **13.1 Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

##### **13.2 Post-employment Benefits**

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

###### **13.2.1 Defined Contribution Plans**

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

#### 13.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

##### **Long-service Allowance**

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

## 14. LEASES

### 14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

### 14.2 The Municipality as Lessee

#### 14.2.1 Finance Leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

#### 14.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

### 14.4 Determining whether an Arrangement contains a Lease

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

#### 15. BORROWING COSTS

All borrowing costs are treated as an expense in the period in which they are incurred.

#### 16. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

#### 17. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

#### 18. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 19. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 20. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 21. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

**Changes in Accounting Policies** that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

**Changes in Accounting Estimates** are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

**Correction of Errors** is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

#### 22. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

#### 23. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

**Contingent Liabilities** represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

**Contingent Assets** represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

#### 24. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

#### 25. RELATED PARTIES

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously disclosed.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

#### 26. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

#### 26. COMPARATIVE INFORMATION

##### 26.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

##### 26.2 Prior Year Comparatives



## UMZIMVUBU LOCAL MUNICIPALITY

### ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

#### **26.3 Budget Information**

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2014 to 30 June 2015.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**1. GENERAL INFORMATION**

Umzimvubu Local Municipality (the municipality) is a local government institution in Mount Frere, Eastern Cape Province, and is one of the local municipalities under the jurisdiction of the Alfred Nzo District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

**2. INVENTORIES**

Consumable Stores - Stationery	303 029	354 594
Property Stock	25 076	23 796
<b>Total Inventories</b>	<b>328 105</b>	<b>378 389</b>

Stationery is held for own use and measured at the lower of Cost and Current Replacement Cost.

The cost of Inventories recognised as an expense during the period was R 921 076 (30 June 2014: R 1 647 163).

Inventories are expected to be utilised within 12 months after the reporting date

The municipality developed two subdivided portions of land into residential and commercial properties of which some were sold during the year. It is the intention to sell the remaining properties during the next twelve months.

No Inventories have been pledged as collateral for Liabilities of the municipality.

**3. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2015</b>			
Service Debtors:	2 893 005	2 438 512	454 493
Refuse	2 893 005	2 438 512	454 493
Other Receivables	2 401 414	605 239	1 796 174
Value Added Tax (VAT)	870 978	372 643	498 336
Land sales	854 139	232 596	621 542
Other Debtors	676 296		676 296
<b>Total Receivables from Exchange Transactions</b>	<b>5 294 418</b>	<b>3 043 751</b>	<b>2 250 667</b>

	<b>Gross Balances R</b>	<b>Provision for Impairment R</b>	<b>Net Balances R</b>
<b>As at 30 June 2014</b>			
Service Debtors:	5 238 445	4 102 210	1 136 235
Refuse	5 238 445	4 102 210	1 136 235
Other Receivables	4 662 180	1 535 196	3 126 984
Value Added Tax (VAT)	1 461 767	1 302 599	159 167
Land sales	2 575 870	232 596	2 343 274
Other Debtors	624 543		624 543
<b>Total Receivables from Exchange Transactions</b>	<b>9 900 625</b>	<b>5 637 406</b>	<b>4 263 219</b>

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

Government debtors have been impaired awaiting the outcome of the reconciliation process of Government properties between the National and Provincial Departments of Public Works.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**3.1 Ageing of Receivables from Exchange Transactions**

**As at 30 June 2015**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Refuse:</b>					
Gross Balances	105 299	100 016	95 608	2 592 082	2 893 005
Less: Provision for Impairment	73 461	73 180	72 852	2 219 018	2 438 512
<b>Net Balances</b>	<b>31 837</b>	<b>26 836</b>	<b>22 756</b>	<b>373 064</b>	<b>454 493</b>

**Other Receivables:**

Gross Balances	207 992	14 069	13 409	2 165 944	2 401 414
Less: Provision for Impairment	10 286	10 247	10 201	574 506	605 239
<b>Net Balances</b>	<b>197 706</b>	<b>3 822</b>	<b>3 208</b>	<b>1 591 438</b>	<b>1 796 174</b>

As at 30 June Receivables of R2 021 124 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	114 084	109 017	4 758 027	4 981 128
Less: Provision for Impairment	83 426	83 053	2 793 525	2 960 004
<b>Net Balances</b>	<b>30 658</b>	<b>25 964</b>	<b>1 964 502</b>	<b>2 021 124</b>

**As at 30 June 2014**

	<b>Current</b>	<b>Past Due</b>			<b>Total</b>
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>Refuse:</b>					
Gross Balances	90 768	86 269	83 260	4 978 149	5 238 445
Less: Provision for Impairment	58 885	58 936	58 636	3 925 754	4 102 210
<b>Net Balances</b>	<b>31 883</b>	<b>27 333</b>	<b>24 624</b>	<b>1 052 395</b>	<b>1 136 235</b>

**Other Receivables:**

Gross Balances	123 269	23 705	23 227	4 491 978	4 662 180
Less: Provision for Impairment	104 758	17 374	17 276	1 395 789	1 535 196
<b>Net Balances</b>	<b>18 512</b>	<b>6 332</b>	<b>5 952</b>	<b>3 096 189</b>	<b>3 126 984</b>

As at 30 June Receivables of R4 212 824 were past due but not impaired. The age analysis of these Receivables are as follows:

	<b>Past Due</b>			<b>Total</b>
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
<b>All Receivables:</b>				
Gross Balances	109 974	106 487	9 470 127	9 686 588
Less: Provision for Impairment	76 309	75 912	5 321 543	5 473 764
<b>Net Balances</b>	<b>33 665</b>	<b>30 576</b>	<b>4 148 584</b>	<b>4 212 824</b>

**3.2 Reconciliation of the Provision for Impairment**

Balance at beginning of year	5 637 406	10 674 870
Impairment Losses recognised	1 085 572	(2 852 495)
Amounts written off as uncollectable	(3 679 227)	(2 184 969)
<b>Balance at end of year</b>	<b>3 043 751</b>	<b>5 637 406</b>

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**3.3 Ageing of impaired Receivables from Exchange Transactions**

Current:

0 - 30 Days	83 747	163 642
-------------	--------	---------

Past Due:

31 - 60 Days	83 426	76 309
--------------	--------	--------

61 - 90 Days	83 053	75 912
--------------	--------	--------

+ 90 Days	2 793 525	5 321 543
-----------	-----------	-----------

<b>Total</b>	<b>3 043 751</b>	<b>5 637 406</b>
--------------	------------------	------------------

**3.4 Derecognition of Financial Assets**

No Financial Assets have been transferred to other parties during the year.

**4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2015</b>			
Assessment Rates Debtors	12 633 010	8 898 495	3 734 516
Government Subsidy Claims	250 366		250 366
Sundry Debtors	9 055		9 055
Hall Securities	(8 771)		(8 771)
Interest/Penalty Charges	2 985 604	2 036 915	948 688
Sundry Deposits	1 885		1 885
Traffic Fines	7 833 503	7 317 317	516 185
<b>Total Receivables from Non-exchange Transactions</b>	<b>23 704 652</b>	<b>18 252 727</b>	<b>5 451 925</b>

	Gross Balances R	Provision for Impairment R	Net Balances R
<b>As at 30 June 2014</b>			
Assessment Rates Debtors	23 930 577	17 627 848	6 302 728
Government Subsidy Claims	2 181 558		2 181 558
Sundry Debtors	959 221		959 221
Interest/Penalty Charges	1 864 759	1 460 287	404 472
Sundry Deposits	25 473		25 473
Traffic Fines	6 605 724	6 084 079	521 645
<b>Total Receivables from Non-exchange Transactions</b>	<b>35 567 312</b>	<b>25 172 214</b>	<b>10 395 098</b>

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Receivables approximate their fair values.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

Government debtors have been impaired awaiting the outcome of the reconciliation process of Government properties between the National and Provincial Departments of Public Works.

**4.1 Ageing of Receivables from Non-exchange Transactions**

**As at 30 June 2015**

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
<b>Assessment Rates Debtors</b>					
Gross Balances	340 678	309 491	296 041	11 686 801	12 633 010
Less: Provision for Impairment	236 955	236 606	233 433	8 191 500	8 898 495
<b>Net Balances</b>	<b>103 722</b>	<b>72 885</b>	<b>62 607</b>	<b>3 495 301</b>	<b>3 734 516</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**Government Subsidy Claims**

Gross Balances	250 366	-	-		250 366
<b>Net Balances</b>	<b>250 366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250 366</b>

**Sundry Debtors**

Gross Balances				9 055	9 055
<b>Net Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 055</b>	<b>9 055</b>

**Interest/Penalty Charges**

Gross Balances	132 951	130 220	127 536	2 594 896	2 985 604
Less: Provision for Impairment	91 676	89 465	87 312	1 768 462	2 036 915
<b>Net Balances</b>	<b>41 275</b>	<b>40 755</b>	<b>40 224</b>	<b>826 435</b>	<b>948 688</b>

**Traffic Fines**

Gross Balances	16 300	3 000	35 350	7 778 853	7 833 503
Less: Provision for Impairment	1 017	187	2 206	7 313 907	7 317 317
<b>Net Balances</b>	<b>15 283</b>	<b>2 813</b>	<b>33 144</b>	<b>464 946</b>	<b>516 185</b>

As at 30 June Receivables of R5 050 050 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

**All Receivables:**

Gross Balances	442 711	458 927	22 071 491	22 973 129
Less: Provision for Impairment	326 258	322 951	17 273 869	17 923 079
<b>Net Balances</b>	<b>116 453</b>	<b>135 975</b>	<b>4 797 622</b>	<b>5 050 050</b>

**As at 30 June 2014**

Current	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	

**Assessment Rates Debtors**

Gross Balances	(406 915)	272 970	257 592	23 806 930	23 930 577
Less: Provision for Impairment	(427 862)	185 505	185 250	17 684 956	17 627 848
<b>Net Balances</b>	<b>20 947</b>	<b>87 465</b>	<b>72 341</b>	<b>6 121 974</b>	<b>6 302 728</b>

**Government Subsidy Claims**

Gross Balances	2 181 558				2 181 558
<b>Net Balances</b>	<b>2 181 558</b>				<b>2 181 558</b>

**Sundry Debtors**

Gross Balances				959 221	959 221
<b>Net Balances</b>				<b>959 221</b>	<b>959 221</b>

**Interest/Penalty Charges**

Gross Balances	108 504	106 356	103 523	1 546 376	1 864 759
Less: Provision for Impairment	89 200	87 117	85 043	1 198 927	1 460 287
<b>Net Balances</b>	<b>19 304</b>	<b>19 239</b>	<b>18 481</b>	<b>347 448</b>	<b>404 472</b>

**Sundry Deposits**

Gross Balances	25 473				25 473
Less: Provision for Impairment					
<b>Net Balances</b>	<b>25 473</b>				<b>25 473</b>

**Traffic Fines**

Gross Balances	6 605 724				6 605 724
Less: Provision for Impairment	6 084 079				6 084 079
<b>Net Balances</b>	<b>521 645</b>				<b>521 645</b>

As at 30 June Receivables of R7 626 170 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**All Receivables:**

Gross Balances	379 326	361 115	26 312 527	27 052 968
Less: Provision for Impairment	272 621	270 293	18 883 883	19 426 798
<b>Net Balances</b>	<b>106 704</b>	<b>90 822</b>	<b>7 428 643</b>	<b>7 626 170</b>

**4.2 Reconciliation of Provision for Impairment**

Balance at beginning of year	25 172 214	31 309 458
Impairment Losses recognised	3 647 423	3 201 860
Impairment Losses reversed		(75 747)
Amounts written off as uncollectable	(10 566 910)	(9 263 357)
<b>Balance at end of year</b>	<b>18 252 727</b>	<b>25 172 214</b>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

**5. VAT RECEIVABLE**

Vat Receivable	<b>11 518 597</b>	<b>6 834 918</b>
----------------	-------------------	------------------

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

**6. CASH AND CASH EQUIVALENTS**

Current Investments	22 638 631	20 312 855
Cashbook	2 612 543	22 163 466
<b>Total Bank, Cash and Cash Equivalents</b>	<b>25 251 175</b>	<b>42 476 321</b>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Investments in Money Market Instruments.

**6.1 Current Investment Deposits**

Call Deposits	22 558 201	20 311 855
Notice Deposits	80 431	1 000
<b>Total Current Investment Deposits</b>	<b>22 638 631</b>	<b>20 312 855</b>

The following call deposit accounts for ring fenced purposes as indicated

		22 638 502	20 311 855
Service Delivery Reserve	First National	62 033 254 723	1 122
Operational Investment	First National	62 029 450 715	527 907
Municipal Infrastructure Grant (MIG)	First National	62 086 036 714	33 226
Guarantee Investment	First National	62 068 742 157	253 440
Capital Replacement Reserve	First National	62 067 998 040	10 396 608
Dedea Projects	First National	62 245 288 411	246 993
Financial Management Grant (FMG)	First National	62 276 187 294	378 908
Munisipal System Improvement Grant	First National	62 276 189 018	1 071
Electrification Program	First National	62 288 560 925	1 047
DBSA Investment	First National	62 442 023 636	17 032
Nedbank B/F	NedBank	7 881 112 786	40 488
		21 344 329	286 717

**Call Deposits** are investments with a maturity period of less than 3 months and earn interest rates varying from 4,82 % to 5,60 % (2014: 4,4% to 4,5%) per annum.

Deposits of R161 400 (2014: R161 400) are committed as a guarantee to ESKOM.

**6.2 Bank Accounts**

**Cashbook**

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
Cash book balance at beginning of year	22 163 466	12 363
Cash book balance at end of year	<u>2 612 543</u>	<u>22 163 466</u>

The Municipality has the following bank accounts:

**Primary Bank Account**

*First National Bank - Account Number 620 2218 3727:*

Bank statement balance at beginning of year	24 969 362	5 065 440
Bank statement balance at end of year	<u>2 586 400</u>	<u>24 969 362</u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

**6.3 Cash and Cash Equivalents**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

**7. OPERATING LEASE RECEIVABLES**

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	121 263	109 975
Operating Lease Revenue recorded	4	13 309
Operating Lease Revenue effected	(31 585)	(2 021)
<b>Total Operating Lease Receivables</b>	<u><b>89 681</b></u>	<u><b>121 263</b></u>

**7.1 Leasing Arrangements**

**The Municipality as Lessor:**

Operating Leases relate to Property owned by the municipality with lease terms of between 2 to 10 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

**7.2 Amounts receivable under Operating Leases**

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	343 393	920 058
2 to 5 years	551 889	301 958
More than 5 years		
<b>Total Operating Lease Arrangements</b>	<u><b>895 282</b></u>	<u><b>1 222 016</b></u>

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been a decrease of R-31 581 (2014: an increase of R11 288) in current year income.

Rental Income recognised in the Statement of Financial Performance	999 894	1 513 088
--------------------------------------------------------------------	---------	-----------

The following restrictions have been imposed by the municipality in terms of the lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**8 PROPERTY, PLANT AND EQUIPMENT**

**30 June 2015**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2014</b>	<b>7 673 371</b>	<b>25 171 489</b>	<b>255 439 478</b>	<b>85 629 979</b>	<b>14 137 748</b>	<b>499 385</b>	<b>388 551 450</b>
Cost	7 673 371	36 878 889	364 273 445	116 418 708	22 886 349	1 681 279	549 812 041
Accumulated Impairment Losses			(40 897)		(52 337)		(93 234)
Accumulated Depreciation:		(11 707 400)	(108 793 069)	(30 788 730)	(8 696 264)	(1 181 894)	(161 167 357)
Acquisitions		364 074	16 995 742	1 009 718	3 595 671		21 965 205
Borrowing Costs Capitalised							
Capital under Construction - Additions:		61 665	54 287 033	7 886 230			62 234 928
Depreciation:		(1 293 271)	(20 272 028)	(3 855 680)	(4 404 091)	(335 453)	(30 160 523)
Carrying value of Disposals:			(695 838)	(23 057 355)	(295 439)		(24 048 632)
- Cost			(13 587 457)	(42 720 401)	(1 403 373)		(57 711 232)
- Accumulated Impairment Losses					52 337		52 337
- Accumulated Depreciation			12 891 619	19 663 047	1 055 597		33 610 263
Impairment Losses				(937 710)			(937 710)
Capital under Construction - Completed		(3 518 869)		(7 682 822)			(11 201 691)
Other Movements		3 155 582	363 287	6 695 323	987 499		11 201 691
<b>Carrying values at 30 June 2015</b>	<b>7 673 371</b>	<b>23 940 669</b>	<b>306 117 673</b>	<b>65 687 684</b>	<b>14 021 388</b>	<b>163 932</b>	<b>417 604 717</b>
Cost	7 673 371	36 941 340	422 332 049	81 606 757	26 066 146	1 681 279	576 300 943
Accumulated Impairment Losses			(40 897)	(937 710)			(978 607)
Accumulated Depreciation:		(13 000 671)	(116 173 478)	(14 981 363)	(12 044 758)	(1 517 347)	(157 717 618)



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**8 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**30 June 2014**

**Reconciliation of Carrying Value**

Description	Land	Buildings	Infra- structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
<b>Carrying values at 01 July 2013</b>	<b>7 682 715</b>	<b>25 532 762</b>	<b>176 480 922</b>	<b>63 200 976</b>	<b>11 231 102</b>	<b>835 456</b>	<b>284 963 933</b>
Cost	7 682 715	36 046 650	264 772 361	90 550 446	17 373 959	1 681 279	418 107 409
Accumulated Depreciation:		(10 513 888)	(88 291 439)	(27 349 470)	(6 142 856)	(845 822)	(133 143 476)
Acquisitions			20 178 644	9 454 298	7 337 123		36 970 065
Capital under Construction - Additions:		832 239	79 322 440	16 413 965			96 568 644
Depreciation:		(1 193 512)	(20 501 631)	(3 439 259)	(4 202 355)	(336 072)	(29 672 828)
Carrying value of Disposals:	(59 274)				(175 785)		(235 059)
Carrying value of Transfers to Inventory:	(23 796)						(23 796)
Impairment Losses			(40 897)		(52 337)		(93 234)
Capital under Construction - Completed			(9 752 774)	(8 592 748)			(18 345 522)
Other Movements	73 725		9 752 774	8 592 748			18 419 247
- Cost	73 725		9 752 774	8 592 748			18 419 247
<b>Carrying values at 30 June 2014</b>	<b>7 673 371</b>	<b>25 171 489</b>	<b>255 439 478</b>	<b>85 629 979</b>	<b>14 137 748</b>	<b>499 385</b>	<b>388 551 450</b>
Cost	7 673 371	36 878 889	364 273 445	116 418 708	22 886 349	1 681 279	549 812 041
Accumulated Impairment Losses			(40 897)		(52 337)		(93 234)
Accumulated Depreciation:		(11 707 400)	(108 793 069)	(30 788 730)	(8 696 264)	(1 181 894)	(161 167 357)

**8 PROPERTY, PLANT AND EQUIPMENT (Continued)**

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>8 PROPERTY, PLANT AND EQUIPMENT (Continued)</b>		
<b>8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use</b>		
There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.		
<b>8.2 Assets pledged as security</b>		
The municipality's obligations under Finance Leases (see Note 17) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.		
<b>8.3 Impairment of Property, Plant and Equipment</b>		
No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.		
<b>8.4 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed</b>		
There was no change in the estimated useful life of various assets of the municipality for the financial year.		
A change in the estimated useful life of various assets of the municipality has resulted in the following decreases in depreciation for the mentioned departments for the financial year:		
Executive and Council	6 027	
Finance and Administration	111 787	
Corporate Services	101 863	
Planning and Development	5 616	
Community and Social Services	62 502	
Public Safety	54 081	
Roads and Transport	2 740 558	
<b>Total Change in Estimate for Useful Life of Property, Plant and Equipment</b>	<b>3 082 434</b>	<b>-</b>
The change in estimates will result in an estimated decrease of R9200000 in the depreciation expense for the municipality over the next three financial years.		
<b>8.5 Land and Buildings carried at Fair Value</b>		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
<b>9 INTANGIBLE ASSETS</b>		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<b>1 152 672</b>	<b>1 378 537</b>
The movement in Intangible Assets is reconciled as follows:		
	<b>Website Development</b>	<b>Computer Software</b>
<b>Carrying values at 01 July 2014</b>	<b>86 400</b>	<b>1 292 137</b>
Cost		2 333 356
Work-in-Progress	86 400	36 000
Accumulated Amortisation		-1 077 218
Acquisitions:	111 114	281 847
Purchased		281 847
Work-in-Progress	111 114	
Amortisation:	-	-596 393
Purchased		-596 393
Disposals:	-	-22 434
At Cost		-155 067
At Accumulated Amortisation		132 633
<b>Carrying values at 30 June 2015</b>	<b>197 514</b>	<b>955 157</b>
Cost		2 460 136

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

		2015 R	2014 R
Work-in-Progress	197 514	36 000	233 514
Accumulated Amortisation		-1 540 979	-1 540 979
	<b>Website Development</b>	<b>Computer Software</b>	<b>Total</b>
<b>Carrying values at 01 July 2013</b>	<b>86 400</b>	<b>1 334 913</b>	<b>1 421 313</b>
Cost		1 878 826	1 878 826
Work-in-Progress	86 400		86 400
Accumulated Amortisation		(543 913)	(543 913)
Acquisitions:	-	490 530	490 530
Purchased		454 530	454 530
Work-in-Progress		36 000	36 000
Amortisation:	-	(533 305)	(533 305)
Purchased		(533 305)	(533 305)
<b>Carrying values at 30 June 2014</b>	<b>86 400</b>	<b>1 292 137</b>	<b>1 378 537</b>
Cost		2 333 356	2 333 356
Work-in-Progress	86 400	36 000	122 400
Accumulated Amortisation		(1 077 218)	(1 077 218)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

Computer Software are issued under license and are restricted to the conditions under which each license are issued.

Refer to Appendix "B" for more detail on Intangible Assets.

**9.1 Intangible Assets with Indefinite Useful Lives**

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

**9.2 Impairment of Intangible Assets**

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

**10 INVESTMENT PROPERTY**

At Cost less Accumulated Depreciation	<u><u>20 411 575</u></u>	<u><u>20 411 575</u></u>
The movement in Investment Property is reconciled as follows:		
<b>Carrying values at 1 July</b>	<b>20 411 575</b>	<b>23 679 800</b>
Cost	20 411 575	23 679 800
Disposals during the Year:	-	(3 194 500)
At Cost		(3 194 500)
Transfers during the Year:	-	(73 725)
At Cost		(73 725)
<b>Carrying values at 30 June</b>	<b>20 411 575</b>	<b>20 411 575</b>
Cost	20 411 575	20 411 575
<b>Estimated Fair Value of Investment Property at 30 June</b>	<u><u>21 532 780</u></u>	<u><u>21 532 780</u></u>

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

**10.1 Investment Property carried at Fair Value**

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

**10.2 Impairment of Investment Property**

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

**11 HERITAGE ASSETS**

At Cost less Accumulated Impairment Losses

**17 719**

**17 719**

The movement in Heritage Assets is reconciled as follows:

	<b>Municipal Jewelry</b>	<b>Total</b>
<b>Carrying values at 01 July 2014</b>	<b>17 719</b>	<b>17 719</b>
Cost	17 719	17 719
<b>Carrying values at 30 June 2015</b>	<b>17 719</b>	<b>17 719</b>
Cost	17 719	17 719
	<b>Municipal Jewelry</b>	<b>Total</b>
<b>Carrying values at 01 July 2013</b>	<b>17 719</b>	<b>17 719</b>
Cost	17 719	17 719
<b>Carrying values at 30 June 2014</b>	<b>17 719</b>	<b>17 719</b>
Cost	17 719	17 719

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Heritage Assets.

**11.1 Impairment of Heritage Assets**

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

**12 CURRENT PORTION : EMPLOYEE BENEFITS**

Current Portion of Employment Benefit Liability (See Note 18)

159 898

134 814

**Total Provisions**

**159 898**

**134 814**

**Current Portion of Non-Current Provisions:**

	<b>Employee Benefit R</b>
<b>30 June 2015</b>	
Balance at beginning of year	134 814
Transfer from non-current	147 552
Expenditure incurred	(122 468)
<b>Balance at end of year</b>	<b>159 898</b>
	<b>Employee Benefit R</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**30 June 2014**

Balance at beginning of year		72 985
Transfer from non-current		281 283
Expenditure incurred		(219 454)
<b>Balance at end of year</b>		<b><u>134 814</u></b>

Refer to Note 18 on "Employee Benefits" for details on actuarial valuations. The short term portion is based on the actuarial estimate of the cost for the next financial period.

**13 PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Creditors	7 034 152	6 554 440
Retentions	516 740	1 014 080
Staff Leave	4 371 374	3 966 993
Other Creditors		863
Third Parties (Salaries)		40 869
Value Added Tax - Output	359 416	457 670
Payments Received In Advance	290 512	
<b>Total Payables</b>	<b><u>12 572 194</u></b>	<b><u>12 034 916</u></b>

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

**14 PAYABLES FROM NON-EXCHANGE TRANSACTIONS**

Interest on External Loan	2 248 548	1 250 137
Payments Received In Advance	134 950	1 146 512
Sundry Deposits		1 339
Rental Deposits	10 348	6 558
<b>Total Payables</b>	<b><u>2 393 845</u></b>	<b><u>2 404 546</u></b>

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

**15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**15.1 Conditional Grants from Government**

National Government Grants	<b>1 420 605</b>	<b>2 575 259</b>
Financial Management	898	4 723
Municipal Systems Improvement	87	
Provincial Government Grants	811	4 723
Department of Cooperative Government and Traditional Affairs	1 419 707	2 570 536
Department of Economic Affairs and Trade	392 385	1 419 745
	1 027 322	1 150 791
<b>Total Conditional Grants and Receipts</b>	<b><u>1 420 605</u></b>	<b><u>2 575 259</u></b>

The Unspent Conditional Grants and Receipts are invested until utilised.

See Note 25 for the reconciliation of Grants from Government and Note 26 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>16 OPERATING LEASE LIABILITIES</b>		
Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:		
Balance at beginning of year		
Operating Lease expenses recorded	5 102	
<b>Total Operating Lease Liabilities</b>	<b>5 102</b>	<b>-</b>

**16.1 Leasing Arrangements**

**The Municipality as Lessee:**

Operating Leases relate to Property, Plant and Equipment with lease terms of 2 years, with an option to extend for a further period.

**16.2 Amounts payable under Operating Leases**

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

<b>Other Equipment:</b>	612 439	-
Up to 1 year	368 067	
2 to 5 years	244 372	
More than 5 years		
<b>Total Operating Lease Arrangements</b>	<b>612 439</b>	<b>-</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	177 415	87 866
<b>Total Operating Lease Expenses</b>	<b>177 415</b>	<b>87 866</b>

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment : Photocopier/Printers

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment without prior written consent.
- (iii) The equipment shall not be re-sited by the municipality.

**17 LONG-TERM LIABILITIES**

Annuity Loans	26 509 041	50 000 000
Finance Lease Liabilities	206 723	588 079
Sub-total	26 715 764	50 588 079
Less: Current Portion transferred to Current Liabilities:-	26 715 764	17 592 917
Annuity Loans	26 509 041	17 211 561
Finance Lease Liabilities	206 723	381 356
<b>Total Long-term Liabilities (Neither past due, nor impaired)</b>	<b>-</b>	<b>32 995 163</b>

The Annuity Loan was taken up during the year from the Development Bank of Southern Africa and is repayable in 3 instalments over the next three financial years at an interest rate of 9,00% per annum. The Annuity Loan is secured by Electrification Grants to be received from National Government in accordance with the Division of Revenue Act for the next three years.

Finance Lease Liabilities relates to Vehicles with lease terms of 5 (2014: 3) years. The effective interest rate on Finance Leases is the prime rate set by the South African Reserve Bank which was 9% at the inception date of the leases. Capitalised Lease Liabilities are secured over the items of vehicles leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**                      **2014**  
**R**                                      **R**

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

**17.1 Obligations under Finance Lease Liabilities**

**The Municipality as Lessee:**

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2014: 3 years). The effective interest rate on Finance Leases was set at the bank prime rate which was 9% at the inception date of the leases.

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	<b>Minimum Lease Payments</b>		<b>Present Value of Minimum Lease Payments</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Amounts payable under finance leases:</b>				
Within one year	212 257	212 257	206 723	381 356
In the second to fifth years, inclusive		212 257		206 723
Over five years				
	<u>212 257</u>	<u>424 515</u>	<u>206 723</u>	<u>588 079</u>
Less: Future Finance Obligations		65 256		
<b>Present Value of Minimum Lease Obligations</b>	<u><b>212 257</b></u>	<u><b>359 259</b></u>	<u><b>206 723</b></u>	<u><b>588 079</b></u>
Less: Amounts due for settlement within 12 months (Current Portion)			(206 723)	(381 356)
<b>Finance Lease Obligations due for settlement after 12 months (Non-current Portion)</b>			<u><b>-</b></u>	<u><b>206 723</b></u>

The municipality has finance lease agreements for the following significant classes of assets:

- Vehicles

Included in these classes are the following significant leases:

(i) Vehicles	R 110 285	R 110 285
- Instalments are payable monthly in arrears		
- Average period outstanding	6 months	18 months
- Average effective interest rate, based on prime at the inception of the leases	9.00%	9.00%
- Average monthly instalment	R 34 900.58	R 34 900.58

**18 EMPLOYEE BENEFIT LIABILITIES**

Long Service Awards Liability	1 011 912	842 751
<b>Total Employee Benefit Liabilities</b>	<u><b>1 011 912</b></u>	<u><b>842 751</b></u>

**18.1 Long Service Awards Liability**

Balance at beginning of year	842 751	868 290
Increase in provision due to change in estimate	316 713	255 744
Balance at end of Year	<u>1 159 464</u>	<u>1 124 034</u>
Transfer to Current Provisions	(147 552)	(281 283)
<b>Total Long Service Awards Liability</b>	<u><b>1 011 912</b></u>	<u><b>842 751</b></u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years of service inclusive, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

At year end, 139 (2014: 142) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2015 is estimated to be R185 448, whereas the cost for the ensuing year is estimated to be R208 540 (30 June 2014: R234 901 and R185 448 respectively).

**2015**  
**R**                      **2014**  
**R**

**The principal assumptions used for the purposes of the actuarial valuations were as follows:**

Discount Rate	7.86%	7.83%
Cost Inflation Rate	7.02%	7.07%
Net Effective Discount Rate	0.79%	0.71%
Expected Return on Plan Assets	7.83%	7.83%
Expected Rate of Salary Increase	7.07%	7.07%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58

**Movements in the present value of the Defined Benefit Obligation were as follows:**

Balance at the beginning of the year	977 565	941 275
Current service costs	185 448	234 901
Interest cost	71 834	57 538
Benefits paid	(122 468)	(219 454)
Actuarial losses / (gains)	59 431	(36 695)

**Total Recognised Benefit Liability**

**1 171 810**                      **977 565**

**The amounts recognised in the Statement of Financial Performance are as follows:**

Current service cost	185 448	234 901
Interest cost	71 834	57 538
Actuarial losses / (gains)	59 431	(36 695)

**Total Post-retirement Benefit included in Employee Related Costs (Note 32)**

**316 713**                      **255 744**

**The history of experienced adjustments is as follows:**

	<b>2015</b> <b>R</b>	<b>2014</b> <b>R</b>	<b>2013</b> <b>R</b>	<b>2012</b> <b>R</b>	<b>2011</b> <b>R</b>
Present Value of Defined Benefit Obligation	1 171 810	977 565	941 275	718 205	557 676
<b>Deficit</b>	<b>1 171 810</b>	<b>977 565</b>	<b>941 275</b>	<b>718 205</b>	<b>557 676</b>

**19 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Land-fill Sites	9 040 445	6 158 527
-------------------------------------------------	-----------	-----------

**Total Non-current Provisions**

**9 040 445**                      **6 158 527**

**The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:**

Balance at beginning of year	6 158 527	5 621 438
Increase in provision due to discounting of interest	2 881 918	537 089

**Balance at end of year**

**9 040 445**                      **6 158 527**

**Land-fill Sites**  
**R**

**30 June 2015**

Balance at beginning of year	6 158 527
Contributions to provision	2 881 918

**Balance at end of year**

**9 040 445**

**Land-fill Sites**  
**R**



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

**30 June 2014**

Balance at beginning of year	5 621 438
Increase in provision due to discounting of interest	537 089
<b>Balance at end of year</b>	<b><u>6 158 527</u></b>

**19.1 Rehabilitation of Land-fill Sites**

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R9 040 445 (2014: R6 158 527) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

Assumptions and estimates are based on a operational life expectancy of 25 years.

The valuation were done by Z.S. Godlimpi and H.A Roets from Scientific Roets Engineering Services based in Kokstad.

**20 ACCUMULATED SURPLUS**

**The Accumulated Surplus consists of the following Internal Funds and Reserves:**

Capital Replacement Reserve (CRR)	5 014 475	5 014 475
Capital Contributions from Government	364 892 879	364 892 879
Accumulated Surplus / (Deficit) due to the results of Operations	60 849 714	30 182 244
<b>Total Accumulated Surplus</b>	<b><u>430 757 068</u></b>	<b><u>400 089 598</u></b>

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capital Contributions from Government** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

**21 PROPERTY RATES**

	<b>Property Valuations</b>		<b>Actual Levies</b>	
	<b>June 2015</b>	<b>June 2014</b>		
	<b>R000's</b>	<b>R000's</b>		
Residential	376 970 395	341 917 485	2 864 098	5 178 840
Commercial	259 918 955	157 423 647	2 164 691	2 280 674
State	341 448 333	285 497 806	3 916 997	1 008 652
<b>Total Property Rates</b>	<b><u>978 337 683</u></b>	<b><u>784 838 938</u></b>	<b><u>8 945 786</u></b>	<b><u>8 468 165</u></b>

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 1,2 c/R (2013/14: 1,2 c/R)

Business Properties: 1,4 c/R (2013/14: 1,4 c/R)

Agricultural & Government Properties: 1,3 c/R (2013/14: 1,3 c/R)

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

In accordance with Section 17(h) of the Municipal Properties Rates Act the first R15 000 of the market value of residential properties are exempted from assessment rates.

**22 FINES**

Traffic Fines	1 670 450	7 011 338
---------------	-----------	-----------

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>Total Fines</b>	<u><u>1 670 450</u></u>	<u><u>7 011 338</u></u>

The amount recognised as revenue this year is the value of all fines issued. Impairment on it was affected based on previous amounts received which is disclosed under Impairment Expenditure.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>23 LICENCES AND PERMITS</b>		
Drivers & Learners Licenses	2 315 599	2 540 989
Hawker Stalls	11 189	26 763
Street Trading	19 942	56 133
Trading Licenses	34 744	57 000
<b>Total Licences and Permits</b>	<b>2 381 473</b>	<b>2 680 885</b>
<b>24 INCOME FROM AGENCY SERVICES</b>		
Vehicle Registration	1 262 511	1 302 912
Vehicle Testing Station	137 671	89 789
<b>Total Income from Agency Services</b>	<b>1 400 182</b>	<b>1 392 701</b>
<b>25 GOVERNMENT GRANTS AND SUBSIDIES</b>		
National Equitable Share	136 168 000	115 568 000
Other Subsidies	685 366	7 129 508
<b>Operational Grants</b>	<b>136 853 366</b>	<b>122 697 508</b>
<b>Conditional Grants</b>	<b>74 144 096</b>	<b>94 330 513</b>
National: EPWP	1 593 000	2 785 247
National: FMG	1 599 913	1 550 000
National: MIG	41 112 442	60 372 936
National: MSIG	937 912	890 102
National: Energy	27 000 000	20 000 000
Provincial: Dept Cooperative Government & Traditional Affairs (COGTA)	1 277 360	7 252 947
Department Economic Affairs and Trade (DEAT)	623 469	1 479 281
<b>Total Government Grants and Subsidies</b>	<b>210 997 462</b>	<b>217 028 021</b>
<b>Government Grants and Subsidies:</b>		
Conditional Grants	74 122 741	94 214 276
Unconditional Grants	136 874 721	122 813 746
<b>Total Government Grants and Subsidies</b>	<b>210 997 462</b>	<b>217 028 021</b>
<b>Summary of Transfers:</b>		
Conditions met - transferred to Revenue: Operating Expenses	6 031 654	13 957 577
Conditions met - transferred to Revenue: Capital Expenses	68 112 442	80 372 936
<b>Total Transfers</b>	<b>74 144 096</b>	<b>94 330 513</b>
	<b>210 997 462</b>	<b>217 028 021</b>
<b>Operational Grants:</b>		
<b>25.1 National: Equitable Share</b>	<b>136 168 000</b>	<b>115 568 000</b>
In terms of the Constitution, part of this grant is used to subsidise the provision of basic services to indigent community members on application. Households where the total gross monthly income of all occupants over 18 years of age does not exceed the earning of a combined gross income equivalent to or less than two times the Government pension grant as prescribed by the National Department of Social Development, qualify for a subsidy of the essential services package.		
<b>25.2 Community Based Planning</b>		
Current year receipts - included in Revenue	435 000	150 000
The Municipality received an amount of R435 000 (2013/14 : R150 000) from Alfred Nzo District Municipality for assistance in the data collection of community needs to be used as basis for future planning.		
<b>Conditional Grants:</b>		

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**25.3 National: EPWP Grant**

Balance unspent at beginning of year		64 662
Current year receipts	1 593 000	2 720 585
Conditions met - transferred to Revenue: Operating Expenses	(1 593 000)	(2 785 247)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>

The grant is utilised for creating of job opportunities in environmental and cultural, infrastructure and the social eradication of poverty and capacity building and skills programmes

**25.4 National: FMG Grant**

Balance unspent at beginning of year		
Current year receipts	1 600 000	1 550 000
Conditions met - transferred to Revenue: Operating Expenses	(1 599 913)	(1 550 000)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>87</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

**25.5 National: MIG Funds**

Balance unspent at beginning of year		18 125 378
Current year receipts	41 112 442	42 247 558
Conditions met - transferred to Revenue: Capital Expenses	(41 112 442)	(60 372 936)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

**25.6 National: MSIG Funds**

Balance unspent at beginning of year	4 723	4 825
Current year receipts	934 000	890 000
Conditions met - transferred to Revenue: Operating Expenses	(937 912)	(890 102)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>811</u>	<u>4 723</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

**25.7 National: Department Energy**

Balance unspent at beginning of year		
Current year receipts	27 000 000	20 000 000
Conditions met - transferred to Revenue: Capital Expenses	(27 000 000)	(20 000 000)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>

The grant was received from the Department of Mineral and Energy for the upgrading of substations and electrical installations within the greater municipal area. The expenditure was towards the repayment of a loan to the Development Bank of Southern Africa who provided bridging finance.

**25.8 Provincial: Dept Cooperative Government & Traditional Affairs (Cogta)**

Balance unspent at beginning of year	1 419 745	5 142 095
Current year receipts	250 000	3 530 597
Conditions met - transferred to Revenue: Operating Expenses	(1 277 360)	(7 252 947)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>392 385</u>	<u>1 419 745</u>

This grant is utilised as funding of "Operation Clean Audit" a National Government initiative.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>25.9 Provincial: Department Economic Affairs and Trade (DEAT)</b>		
Balance unspent at beginning of year	1 150 791	230 072
Current year receipts	500 000	2 400 000
Conditions met - transferred to Revenue: Operating Expenses	(623 469)	(1 479 281)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u><u>1 027 322</u></u>	<u><u>1 150 791</u></u>
This grant was received to assist in local economic development and the promotion of tourism. No funds have been withheld.		
<b>26 PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
Conditional Contributions:		
Unconditional Contributions	3 000	56 100
Other Donations		64 200
<b>Total Public Contributions and Donations</b>	<u><u>3 000</u></u>	<u><u>120 300</u></u>
<b>27 SERVICE CHARGES</b>		
Refuse Removal	1 426 599	1 325 645
<b>Total Service Charges</b>	<u><u>1 426 599</u></u>	<u><u>1 325 645</u></u>
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
<b>28 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Operating Lease Rental Revenue:		
- Other Rental Revenue	999 894	1 513 088
Rental Revenue from Amenities	173 091	182 154
Rental Revenue from Halls	91 228	93 374
Rental Revenue from Other Facilities	18 553	15 647
<b>Total Rental of Facilities and Equipment</b>	<u><u>1 282 767</u></u>	<u><u>1 804 263</u></u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
<b>29 INTEREST EARNED</b>		
<b>External Investments:</b>		
Bank Account	611 894	884 524
Investments	3 092 693	2 288 602
	<u><u>3 704 587</u></u>	<u><u>3 173 126</u></u>
<b>Outstanding Debtors:</b>		
Outstanding Billing Debtors	1 516 359	1 139 373
	<u><u>1 516 359</u></u>	<u><u>1 139 373</u></u>
<b>Total Interest Earned</b>	<u><u>5 220 946</u></u>	<u><u>4 312 499</u></u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Financial assets at Amortised Cost	3 704 587	3 173 126
Loans and Receivables	1 516 359	1 139 373
	<u><u>5 220 946</u></u>	<u><u>4 312 499</u></u>
<b>30 OTHER REVENUE</b>		
Advertising	95 879	84 473
Awards	500 000	300 000
Building Plan Fees	381 984	338 628
Flea Market	3 211	5 553
Funeral Plot Fees	11 777	12 204
LG Seta	77 507	121 012
Parks	15 776	351

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
Pound Fees	358 437	349 914
Rezoning Certificate	1 037	819
Sales: Wood & Aloe	3 190	4 635
SG Diagrams		111
Sportsfield	45 806	
Storage of Goods	8 825	6 087
Subdivision	3 087	8 851
Sundry Income	1 001 277	435 530
Tender Fees	236 915	258 642
Tourism	16 946	13 228
Towing Fees		6 913
<b>Total Other Revenue</b>	<b>2 761 655</b>	<b>1 946 952</b>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 21 to 29, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

**31 PROFIT ON SALE OF LAND**

Proceeds on Sale of Land	511 470	
Cost of Sale of Land	(1 513)	
<b>Total Loss on Sale of Land</b>	<b>509 957</b>	

**32 EMPLOYEE RELATED COSTS**

Employee Related Costs - Salaries and Wages	35 456 599	32 210 566
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	6 983 814	6 060 885
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	4 528 747	4 405 741
Housing Benefits and Allowances	2 459 458	2 077 531
Performance Bonuses	1 184 328	844 638
<b>Total Employee Related Costs</b>	<b>50 612 945</b>	<b>45 599 361</b>

No advances were made to employees.

Remuneration to Section 57 employees was within the upper limits set by the South African Local Government Association (SALGA).

**Remuneration of Section 57 Employees:**

**Remuneration of the Municipal Manager : Mr. GPT Nola**

Annual Remuneration	820 223	862 816
Car and Other Allowances	224 428	256 446
Company Contributions to UIF, Medical and Pension Funds	188 532	176 175
<b>Total</b>	<b>1 233 183</b>	<b>1 295 437</b>

**Remuneration of the Chief Financial Officer : Mrs. X. Venn**

Annual Remuneration	618 244	589 004
Car and Other Allowances	265 787	269 037
Company Contributions to UIF, Medical and Pension Funds	45 888	43 676
<b>Total</b>	<b>929 920</b>	<b>901 717</b>

**Remuneration of the Manager: Community Services : Mr. M Sineke**

Annual Remuneration	643 642	623 048
Car and Other Allowances	286 278	305 002
Company Contributions to UIF, Medical and Pension Funds		
<b>Total</b>	<b>929 920</b>	<b>928 051</b>

**Remuneration of the Manager: Corporate Services : Ms. N Kubone**

Annual Remuneration	669 041	623 048
Car and Other Allowances	234 091	284 055
Company Contributions to UIF, Medical and Pension Funds	26 788	30 461
<b>Total</b>	<b>929 920</b>	<b>937 565</b>

**Remuneration of the Manager: Local Economic Development : Ms. SL Batyi**

Annual Remuneration	618 244	585 684
Car and Other Allowances	265 787	284 958
Company Contributions to UIF, Medical and Pension Funds	45 888	43 676
<b>Total</b>	<b>929 920</b>	<b>914 317</b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**Remuneration of the Manager: Infrastructure and Planning : Mr. SP Ntonga**

Annual Remuneration	618 244	696 406
Car and Other Allowances	311 676	321 923
Company Contributions to UIF, Medical and Pension Funds		
<b>Total</b>	<b>929 920</b>	<b>1 018 329</b>

**Remuneration of the Manager: Chief Operations Officer : Mr. S Kulu**

Annual Remuneration	618 244	623 048
Car and Other Allowances	249 810	256 432
Company Contributions to UIF, Medical and Pension Funds	61 866	58 883
<b>Total</b>	<b>929 920</b>	<b>938 363</b>

No compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

**33 REMUNERATION OF COUNCILLORS**

Mayor	374 498	349 672
Speaker	280 874	279 738
Chief Whip	280 784	262 254
Executive Committee Members	758 357	1 625 975
Councillors	6 337 870	4 601 481
Company Contributions to UIF, Medical and Pension Funds	1 241 186	928 297
Other Allowances (Cellular Phones, Housing, Transport, etc)	5 348 130	5 800 447
<b>Total Councillors' Remuneration</b>	<b>14 621 700</b>	<b>13 847 864</b>

**Remuneration of Councillors:**

Councillors were compensated within the limits set by the Remuneration of Public Office Bearers Act No 20 of 1998.

For details per Councillor see Appendix G

**In-kind Benefits**

Councillors may utilise official Council transportation when engaged in official duties.

The Mayor had an official office and car.

**34 DEPRECIATION AND AMORTISATION**

Depreciation: Property, Plant and Equipment	30 160 523	29 672 828
Amortisation: Intangible Assets	596 393	533 305
<b>Total Depreciation and Amortisation</b>	<b>30 756 916</b>	<b>30 206 134</b>

**35 IMPAIRMENT LOSSES**

**35.1 Impairment Losses on Fixed Assets**

**Impairment Losses Recognised:**

Property, Plant and Equipment	937 710	93 234
	<b>937 710</b>	<b>93 234</b>

**35.2 Impairment Losses on Financial Assets**

**Impairment Losses Recognised:**

Receivables from Exchange Transactions	5 794 095	2 232 283
Receivables from Non-exchange Transactions	1 085 572	(2 852 495)
Receivables from Non-exchange Transactions	3 647 423	3 201 860
Minus impairment of VAT Debtors (Not an expense to entity)	1 061 100	1 882 918

**Impairment Losses Reversed:**

Receivables from Non-exchange Transactions	-	(75 747)
	<b>(75 747)</b>	<b>(75 747)</b>

<b>Total Impairment Losses</b>	<b>6 731 805</b>	<b>2 249 770</b>
--------------------------------	------------------	------------------

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>36 REPAIRS AND MAINTENANCE</b>		
Land and Buildings	703 565	541 475
Infrastructure - Road Transport	763 060	1 073 611
Community Assets	144 159	473 086
Other Assets	325 393	243 482
<b>Total Repairs and Maintenance</b>	<b>1 936 177</b>	<b>2 331 654</b>
<b>37 FINANCE COSTS</b>		
Finance Leases	37 451	70 157
Loans and Payables at amortised cost	2 507 452	1 250 137
Provisions	2 953 752	594 627
<b>Total Interest Paid on External Borrowings</b>	<b>5 498 655</b>	<b>1 914 921</b>
<b>38 CONTRACTED SERVICES</b>		
Internal Audit	824 553	819 718
Debt Collection	562 314	578 380
Security Services	5 417 257	3 994 851
Valuation Services	537 369	253 457
<b>Total Contracted Services</b>	<b>7 341 493</b>	<b>5 646 406</b>
<i>Contracted Services</i> only includes expenditure on services where the service is completely sourced out.		
<b>39 GRANTS AND SUBSIDIES PAID</b>		
Community & Local Economic Development Projects	251 710	1 087 505
Free Basic Services	3 173 859	2 258 321
Other Grants and Subsidies Paid	31 489	25 341
<b>Total Grants and Subsidies</b>	<b>3 457 057</b>	<b>3 371 167</b>
<b>Community Projects</b> are in respect of community cultural programs and catering & transport cost of community development workers within the municipality's area of jurisdiction.		
<b>Free Basic Services</b> are in respect of assistance to and providing basic service levels to indigent households.		
<b>40 GENERAL EXPENSES</b>		
Included in General Expenses are the following:		
Administrative Expenses	59 596	
Advertising Fees	836 047	730 279
Agrarian Reform	3 750 859	1 820 302
Ammunition	1 638	
Annual Report		97 700
Audit Fees	3 709 684	2 587 099
Bank Charges	381 841	326 491
Batho Pele Programmes	34 270	73 600
Books & Publications	37 684	38 976
Branding & Marketing	526 779	488 139
Bursaries (Internal)	210 923	199 876
Bursaries (Scarce Skills)	408 112	428 941
Career Exhibition	802 034	407 754
Catering	616 078	525 508
Cleaning Services	363 864	350 837
Communication Strategy	192 712	182 945
Communication Development and Support	81 051	1 400
Community Based Planning	137 353	146 681
Community Radio Support	233 308	187 195
Conference Fees	381 286	112 687
Consultant & Professional Fees	2 037 679	2 086 243
Consumeables & Beverages	65 275	85 124
Customer Care		232
Development Programmes	187 450	162 821



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
Disaster Management Plan	137 970	79 736
Drivers Licence Cards	218 968	29 400
Electricity And Water Purchases	954 868	1 229 859
Employee Relations Programmes	266 560	221 124
Entertainment	101 491	119 748
Environmental Management	125 383	225 144
Equipment Rental	177 415	87 866
Events & Programs	1 437 725	796 863
Fleet Rental Services	445 404	518 848
Food For Waste	184 347	2 525 736
Forestry Development	98 000	91 890
Fuel & Oil	1 870 686	1 962 735
Health & Safety	303 450	211 596
Hiv/Aids	87 575	38 600
ICT Expenses	1 561 727	945 221
IDP Out Reach	166 988	99 653
Induction Program	8 950	
Insurance: External	528 774	832 885
Intergovernmental Relations (Igr)	39 950	20 800
Internal Audit Committee	911 970	815 678
Internships	342 543	242 632
Investment Promotion	847 949	536 336
Job Evaluation	15 000	
Legal Fees	983 846	782 741
Material & Stores	390 280	54 719
Membership Fees	83 949	10 502
Operational Losses	589 782	
Outreach Program	21 898	329 710
Performance Management System	32 800	
Policy Roll Out Program	27 423	179 079
Post Boxes		65 238
Postage	5 221	3 481
Pound Fees	113 423	43 442
Printing & Stationery	921 076	1 647 163
Promotional Material	413 951	314 162
Public Safety	346 160	736 220
Ratepayers Incentive	289 920	290 600
Recruitment Activities	82 450	55 652
Refuse Bags & Bins	903 904	631 969
SMME Development	1 411 444	1 112 094
Sports, Arts And Culture	504 777	474 558
Spu Programs	1 411 232	536 875
Strategic Planning	1 124 364	960 792
Strategic Support And Ind	180 324	180 150
Subsistence And Travelling	6 748 474	4 294 757
Survey And Planning	1 703 999	1 879 040
Telephone	3 453 888	3 371 001
Tourism	1 171 056	748 969
Training	1 494 607	1 456 046
Uniforms & Protective Clothing	931 078	493 919
Vehicle Licensing	41 564	63 626
Ward Committees	3 298 450	3 275 135
Workman'S Compensation Assura	395 434	448 049
Year End Function	263 146	209 591
<b>Total General Expenses</b>	<b>55 229 135</b>	<b>47 322 460</b>

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

The amount R967 974 disclosed under "Sundry Expenses" last year were reclassified as "Development Programs" (R162 821), ICT Expenses (R 562 522) and "Internships" (R242 632).

No other extra-ordinary expenses were incurred.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>41 GOVERNMENT GRANTS (CONDITIONAL)</b>		
The following operating expenditure were financed by the grants as indicated:		
Municipal Systems Improvement Grant (MSIG)	886 636	851 876
Financial Management Grant (FMG)	1 540 654	1 472 790
Municipal Infrastructure Grant (MIG/PMU)		882 878
Department of Cooperative Government and Traditional Affairs (COGTA)	1 570 472	6 574 247
Department Education and Training (DEAT)	546 903	1 401 806
Extended Public Works Program (EPWP)	1 596 035	2 785 247
	<b>6 140 700</b>	<b>13 968 844</b>

The MSIG is used for capacity building of Councillors, Ward Committee seating allowance and Implimentation of the MPRA.  
The FMG is used for salaries of the financial interns, staff capasitation and the improvement of systems.  
The DME grant was utilised for the upgrading of the electrification and connections in the area.  
The COGTA grant is utilised on "Operation Clean Audit" a National Government initiative to improve operations of Local Government.  
The DEAT grant is used for environmental impact assessments and project management.  
The EPWP grant is utilised for cleaning up operations in the municipal area.

**42 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS**

Proceeds on Disposal of Land	511 470	2 893 322
Land Disposed at Carrying Value	(1 513)	(3 218 296)
Total Gains / Losses on Disposal of Land	<b>509 957</b>	<b>(324 974)</b>
Proceeds on Disposal of PPE	464 843	632 308
PPE Disposed at Carrying Value	(24 071 066)	(235 059)
Total Gains / Losses on Disposal of PPE	<b>(23 606 223)</b>	<b>397 250</b>
<b>Nett Gains/(Losses) on Disposal of Assets</b>	<b>(23 096 266)</b>	<b>72 276</b>

The loss on the sale of land last year was caused by properties sold below it's market value to a developer for the construction of low cost housing.

The expense caused by the transfer of pre-schools to the various communities was R23 227 225.15 being it's carrying value at 31 March 2015.

**43 DISCONTINUED OPERATIONS**

No operations have been discontinued.

**44 CHANGE IN ACCOUNTING POLICY**

The municipality adopted no Accounting Standards for the first time during the financial year 2014/15 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1.

**44.1 GRAP 100 - Discontinued Operations**

The Accounting Standard for *Non-current Assets Held-for-Sale and Discontinued Operations* has been revised in February 2013 whereby the measurement, presentation and disclosure requirements related to Non-current Assets Held-for-Sale have been withdrawn.

The change in the Accounting Standard had no effect on the Annual Financial Statements as the municipality did not have any assets that were reclassified as Non-current Assets Held-for-Sale as at 30 June 2014.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2014 and the Accumulated Surplus of prior years was not affected either.

**45 CHANGE IN ACCOUNTING ESTIMATES**

The municipality did not receive any new information or notice of new developments during the financial year that need to be disclosed in terms of GRAP 3.

**45.1 Depreciation Expenditure:**

The residual values, estimated useful lives and depreciation method were reviewed at 30 June 2015.

Adjustments to the useful lives affect the amount of depreciation for the current year and is expected to affect future periods as well. The adjustments are as follows:"

Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of PPE	(3 082 434)
---------------------------------------------------------------------------------	-------------

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>Increase / (Decrease) in Depreciation of PPE</b>	<b>(3 082 434)</b>	<b>-</b>
Depreciation as previously stated	33 839 350	30 206 134
Adjustment due to Change in Accounting Estimate	(3 082 434)	
<b>Depreciation as per Note 34</b>	<b>30 756 916</b>	<b>30 206 134</b>
<b>46 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the Year	30 667 470	79 704 465
Adjustment for:		
Depreciation and Amortisation	30 756 916	30 206 134
Impairment Losses on Property, Plant and Equipment	937 710	93 234
Losses / (Gains) on Disposal of Property, Plant and Equipment	23 606 224	(397 250)
Loss / (Gains) on Sale of Land	(511 470)	324 974
Expenditure incurred from Long Service Awards Liability	(122 468)	(219 454)
Contribution to Provisions - Current	147 552	281 283
Contribution to Provisions - Non-current	2 881 918	537 089
Contribution to Employee Benefits	169 161	(25 539)
Contribution to Impairment Provision	5 794 095	2 156 536
<b>Operating surplus before working capital changes</b>	<b>94 327 107</b>	<b>112 661 472</b>
Decrease/(Increase) in Inventories	50 285	103 728
Decrease/(Increase) in Non-Current Assets Held-for-Sale		
Decrease/(Increase) in Receivables from Exchange Transactions	926 980	(1 342 437)
Decrease/(Increase) in Receivables from Non-exchange Transactions	1 295 751	(11 905 380)
Decrease/(Increase) in VAT Receivable	(4 683 679)	(4 105 459)
Decrease/(Increase) in Operating Lease Assets	31 581	(11 288)
Increase/(Decrease) in Payables from Exchange Transactions	(523 821)	(2 244 077)
Increase/(Decrease) in Payables from Non-exchange Transactions	(10 701)	1 716 343
Increase/(Decrease) in Conditional Grants and Receipts	(1 154 654)	(20 991 772)
Increase/(Decrease) in Operating Lease Liabilities	5 102	
<b>Cash generated by / (utilised in) Operations</b>	<b>90 263 949</b>	<b>73 881 130</b>
<b>47 NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2014/15 financial year.		
<b>48 FINANCING FACILITIES</b>		
The municipality did not have any Financing Facilities available at any time during the two financial years.		
<b>49 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities (See Note 17)	26 715 764	50 588 079
Used to finance Property, Plant and Equipment - at cost	(206 723)	(588 079)
Bridging Finance to the Department of Mineral and Energy towards the Electrification of the area.	(26 509 041)	(50 000 000)
<b>Cash invested for Repayment of Long-term Liabilities</b>	<b>-</b>	<b>-</b>
Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.		
<b>50 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>50.1 Unauthorised Expenditure</b>		
To management's best of knowledge no Unauthorised Expenditure was incurred during the year under review.		
<b>50.2 Fruitless and Wasteful Expenditure</b>		
To management's best of knowledge instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.		

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance		80 793
Recovered from responsible officials - Interest on late payment - Various Creditors (2012/13)		(33 432)
Transfer to receivables for recovery - Penalty paid to the Department of Transport. (2012/13)		(47 361)
Fruitless and Wasteful Expenditure awaiting condonement	--	--

**50.3 Irregular Expenditure**

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

Reconciliation of Irregular Expenditure:

Opening balance		585 438
Written off by Council		(585 438)
Irregular Expenditure awaiting condonement	-	-

**51 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**51.1 Contributions to organised local government - SALGA**

Opening Balance		450 000
Council Subscriptions	614 266	493 223
Amount Paid - current year	(614 266)	(493 223)
Amount Paid - previous years		(450 000)
<b>Balance Unpaid (included in Creditors)</b>	-	-

**51.2 Audit Fees**

Opening Balance	44 128	273 896
Current year Audit Fee	3 709 684	2 587 099
Amount Paid - current year	(3 676 171)	(2 542 971)
Amount Paid - previous years	(44 128)	(273 896)
<b>Balance Unpaid (included in Creditors)</b>	<b>33 513</b>	<b>44 128</b>

**51.3 VAT**

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

**51.4 PAYE, Skills Development Levy and UIF**

Opening Balance	38 733	
Current year Payroll Deductions	14 403 186	10 650 806
Amount Paid - current year	(14 403 186)	(10 612 074)
Amount Paid - previous years	(38 733)	
<b>Balance Unpaid (included in Creditors)</b>	--	<b>38 733</b>

**51.5 Pension and Medical Aid Deductions**

Opening Balance	2 092	
Current year Payroll Deductions and Council Contributions	10 927 391	8 303 870
Amount Paid - current year	(10 927 391)	(8 301 778)
Amount Paid - previous years	(2 092)	
<b>Balance Unpaid (included in Creditors)</b>	-	<b>2 092</b>

**51.6 Councillor's arrear Consumer Accounts**

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2015	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor N. Mbele	1 857	522	1 335
<b>Total Councillor Arrear Consumer Accounts</b>	<b>1 857</b>	<b>522</b>	<b>1 335</b>

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

Highest amount

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**30 June 2015**

Councillor N. Mbele

**outstanding**

1 335

**Ageing**

> 90 Days

**51.7 Non-Compliance with the Municipal Finance Management Act**

No known matters existed at reporting date.

**51.8 Deviation from, and ratification of minor breaches of, the Procurement Processes**

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Public Safety	20/11/2014	VOICE CLINIC (PTY)LTD	Exceptional case where it is impractical to follow official SCM processes. Refer to ULM SCM policy 39(i)(a)(v)	R 8 776.86
	26/01/2015	UHURU DESIGN STUDIO (PTY) LTD	Exceptional case where it is impractical to follow official SCM processes. Refer to ULM SCM policy 39(i)(a)(v)	R 22 800.00
	15/07/2014	Driving Licence card account	Exceptional case where it is impractical to follow official SCM processes. Refer to ULM SCM policy 39(i)(a)(v)	R 18 012.00
	15/10/2014			R 18 782.00
	15/12/2014			R 17 064.00
	15/02/2015			R 19 987.00
	22/06/2014	FG Uniforms	Exceptional case where it is impractical to follow official SCM processes. Refer to ULM SCM policy 39(i)(a)(v)	R 165 140.86
7 Occasions occurred during the financial year for the procurement goods and services amounting to R 270563				
Local Economic Development	30/04/2015	VOICE CLINIC (PTY)LTD	Exceptional case where it is impractical to follow official SCM processes. Refer to ULM SCM policy 39(i)(a)(v)	R 9 119
1 Occasions occurred during the financial year for				
Budget and Treasury	14/05/2015	SPECPIPE Manufacturers	Exceptional case where it is impractical to follow official SCM processes. Refer to ULM SCM policy 39(i)(a)(v)	R 450 000
1 Occasion occurred during the financial year for the procurement goods and services amounting to R 450000				
Special Projects	26/08/2014	ALFRED NZO Community Radio	Exceptional case where it is impractical to follow official SCM processes. Refer to ULM SCM policy 39(i)(a)(v)	R 15 000
	17/09/2014			R 1 710
	24/10/2014			R 24 624
	03/11/2014			R 5 586
	06/11/2014			R 24 624
	18/11/2014			R 24 624
	19/11/2014			R 3 420
	27/11/2014			R 12 312
	17/12/2014			R 9 576
	04/02/2015			R 1 710
	06/02/2015			R 7 980
	24/04/2015			R 2 850
	24/04/2015			R 8 835
13 Occasions occurred during the financial year for the procurement goods and services amounting to R 142851				

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

Corporate Services	16/04/2015	Government Works	Printing	Exceptional case where it is impractical to follow official SCM processes. Refer to ULM SCM policy 39(i)(a)(v)	38 875.50
1 Occasion occurred during the financial year for the procurement goods and services amounting to R 38876					

## 52 COMMITMENTS FOR EXPENDITURE

### 52.1 Capital Commitments

Commitments in respect of Capital Expenditure:

#### - Approved and Contracted for:-

Land and Buildings

Infrastructure

Community

Other

Reclaimable Input Value Added Tax (VAT)

**33 463 200**

**36 221 833**

28 617 889

103 882

31 023 424

646 231

772 668

4 072 643

4 448 295

#### Total Capital Commitments

**33 463 200**

**36 221 833**

### 52.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 16 and 17.

Non-cancellable Operating Lease Commitments are disclosed in Note 16.

### 52.3 Other Commitments

Tender Value  
R

The municipality has entered into a contract with :

Alfred Nzo Technologies for the Supply and delivery of refuse plastic bags.

668 606

Camibytte Pty Ltd for the Supply and delivery of Personal Protective Clothing.

987 706

Tshani Consulting cc for the ULM Spatial Development Framework.

289 161

Indwe Risk Services for the Short term insurance for a period of 2 years.

1 395 844

Tshani Consulting cc for the Umzimvubu Precint Plans.

795 720

Swift Travel and Tours for the Travel and Accommodation Management Services for a period of 2 years.

Fees plus 8%

Ducharme Consulting for the Compilation of GRAP Compliant Annual Financial Statements and Asset Register.

883 840.00

Price Waterhouse Coopers for Internal Audit Services for a period of three years ending October 2015 for the amount of R913

311. Commitment outstanding at reporting date is

94 000

Xerox for the rental of office printing machines

838 056

## 53 FINANCIAL INSTRUMENTS

### 53.1 Classification

#### FINANCIAL ASSETS:

In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

<u>Financial Assets</u>	<u>Classification</u>		
<b>Receivables from Exchange Transactions</b>			
Refuse	Amortised cost	454 493	1 136 235
Other Receivables	Amortised cost	1 796 174	3 126 984
<b>Receivables from Non-exchange Transactions</b>			
Assessment Rates Debtors	Amortised cost	3 734 516	6 302 728
Government Subsidy Claims	Amortised cost	250 366	2 181 558
Sundry Debtors	Amortised cost	9 055	959 221
Sundry Deposits	Amortised cost	1 885	25 473
Interest on Outstanding Debtors	Amortised cost	948 688	404 472

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**SUMMARY OF FINANCIAL ASSETS**

**Financial Assets at Amortised Cost:**

Receivables from Exchange Transactions	Refuse	454 493	1 136 235
Receivables from Exchange Transactions	Other Debtors	1 796 174	3 126 984
Receivables from Non-exchange Transactions	Assessment Rates Debtors	3 734 516	6 302 728
Receivables from Non-exchange Transactions	Government Subsidy Claims	250 366	2 181 558
Receivables from Non-exchange Transactions	Sundry Debtors	9 055	959 221
Receivables from Non-exchange Transactions	Hall Securities	(8 771)	
Receivables from Non-exchange Transactions	Sundry Deposits	1 885	25 473
Receivables from Non-exchange Transactions	Interest/Penalty Charges	948 688	404 472
<b>Total Financial Assets</b>		<b>7 186 406</b>	<b>14 136 672</b>

**FINANCIAL LIABILITIES:**

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
<b>Long-term Liabilities</b>			
Annuity Loans	Amortised cost		32 788 439
Finance Lease Liabilities	Amortised cost		206 723
<b>Payables from Exchange Transactions</b>			
Trade Creditors	Amortised cost	7 034 152	6 554 440
Staff Leave Accrued	Amortised cost	4 371 374	3 966 993
Retentions	Amortised cost	516 740	1 014 080
Payments Received In Advance	Amortised cost	290 512	
Other Creditors	Amortised cost	359 416	499 402
<b>Payables from Non-exchange Transactions</b>			
Interest on External Loan		2 248 548	1 250 137
Payments Received In Advance	Amortised cost	134 950	1 146 512
Sundry Deposits	Amortised cost	10 348	7 897
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Amortised cost	26 509 041	17 211 561
Finance Lease Liabilities	Amortised cost	206 723	381 356

**SUMMARY OF FINANCIAL LIABILITIES**

**Financial Liabilities at Amortised Cost:**

Long-term Liabilities	Annuity Loans		32 788 439
Long-term Liabilities	Finance Lease Liabilities		206 723
Payables from Exchange Transactions	Trade Creditors	7 034 152	6 554 440
Payables from Exchange Transactions	Projects	4 371 374	3 966 993
Payables from Exchange Transactions	Retentions	516 740	1 014 080
Payables from Exchange Transactions	Other Creditors	359 416	499 402
Payables from Non-exchange Transactions	Staff Leave Accrued	2 248 548	1 250 137
Payables from Non-exchange Transactions	Staff Salaries	425 461	1 146 512
Payables from Non-exchange Transactions	Sundry Deposits	10 348	7 897
Current Portion of Long-term Liabilities	Annuity Loans	26 509 041	17 211 561
Current Portion of Long-term Liabilities	Finance Lease Liabilities	206 723	381 356
<b>Total Financial Liabilities</b>		<b>41 681 803</b>	<b>65 027 541</b>

**53.2 Fair Value**

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

**Cash**

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

**Trade and Other Receivables/Payables**

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

**Other Financial Assets and Liabilities**

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Long-term Liabilities**

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

No Financial Instruments of the municipality have been reclassified during the year.

**Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities**

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**30 June 2015**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Call Deposits	22 558 201			22 558 201
Bank Balances and Cash	2 612 543			2 612 543
<b>Total Financial Instruments</b>	25 170 744	-	-	25 170 744

**30 June 2014**

	Level 1 R	Level 2 R	Level 3 R	Total R
<b>FINANCIAL ASSETS</b>				
<b>Financial Instruments at Fair Value:</b>				
Call Deposits	20 311 855			20 311 855
Bank Balances and Cash	22 163 466			22 163 466
<b>Total Financial Instruments</b>	42 475 321	-	-	42 475 321

**53.3 Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

**Gearing Ratio**

**2015**  
**R**                      **2014**  
**R**

The gearing ratio at the year-end was as follows:

Debt	26 715 764	50 588 079
Cash and Cash Equivalents	(22 638 631)	(20 312 855)
Net Debt	<u>4 077 133</u>	<u>30 275 224</u>
Equity	<u>430 757 068</u>	<u>400 089 598</u>
<b>Net debt to equity ratio</b>	<u><b>0.95%</b></u>	<u><b>7.57%</b></u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

**53.4 Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Budget and Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

**53.5 Significant Risks**

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

**Market Risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**Credit Risk**

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

**Liquidity Risk**

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

**53.6 Market Risk**

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

**53.6.1 Foreign Currency Risk Management**

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

**53.6.2 Interest Rate Risk Management**

*Interest Rate Risk* is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

**Interest Rate Sensitivity Analysis**

The municipality had no floating rate long-term financial instruments at year-end requiring an Interest Rate Sensitivity Analysis.

**53.7 Credit Risk Management**

*Credit Risk* refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

**Investments/Bank, Cash and Cash Equivalents**

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with First National Bank. No investments with a tenure exceeding twelve months are made.

**Trade and Other Receivables**

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Receivables from Exchange Transactions	5 294 418	9 900 625
Receivables from Non-exchange Transactions	23 704 652	35 567 312
Bank, Cash and Cash Equivalents	25 251 175	42 476 321
<b>Maximum Credit and Interest Risk Exposure</b>	<b><u>54 250 245</u></b>	<b><u>87 944 259</u></b>

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

Consumer Debtors	38.18%	25.59%
<b>Total Credit Risk</b>	<b><u>38.18%</u></b>	<b><u>25.59%</u></b>

**Bank and Cash Balances**

Short Term Investments - First National Bank	22 638 631	20 312 855
Current Account - First National Bank	2 612 543	22 163 466
<b>Total Bank and Cash Balances</b>	<b><u>25 251 175</u></b>	<b><u>42 476 321</u></b>

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**53 FINANCIAL INSTRUMENTS (Continued)**

***53.8 Liquidity Risk Management***

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 45 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

**Liquidity and Interest Risk Tables**

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

***53.9 Other Price Risks***

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**54 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION**

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R4 862 260 (2014: R4 320 331) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

**DEFINED BENEFIT SCHEMES**

**Municipal Employees Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2008.

The net assets available for benefits were R5 715 557 193.

No further information could be obtained.

**National Fund for Municipal Workers - Pension Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The fund does not have any reserves or surpluses which can be allocated to members' fund records.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of 6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,83% (1 July 2007: 100,26%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further information could be obtained.

**DEFINED CONTRIBUTION SCHEMES**

**Municipal Councillors Pension Fund:**

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the market value of the fund was R1 446,8 (30 June 2009: R1 223,7) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the Actuaries, the Fund was in a sound financial condition as at 30 June 2010.

No further information could be obtained.

**Municipal Employees Pension Fund**

No details could be provided for the fund and of any valuation performed.

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2012.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

The valuation performed as at 30 June 2012 revealed that the market value of the fund was R12 537 (30 June 2010: 9 774) million. The contribution rate payable (7,50% by the member and 22,00% by the employer), is sufficient to fund the benefits accruing from the fund in the future. The fund was certified to be in sound financial condition as at 30 June 2012.

**National Fund for Municipal Workers - Provident Fund:**

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 01 July 2010.

The net assets available for benefits were R4 191 (2008: R3 617) million.

The statutory valuation performed as at 1 July 2010 revealed that the fund had a deficit of R9,6 (1 July 2008: R6,3) million, with a funding level of 99,77% (1 July 2008: 99,83%). The contribution rate paid by the members (2,00% to 5,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future.

None of the above mentioned plans are State Plans.

**55 RELATED PARTY TRANSACTIONS**

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

**55.1 Interest of Related Parties**

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
B Mbedu	Official	Owner (brother) of Soul Evolution Management CC
N Mgwatyu	Casual	Owner of The Business Zone 1949 CC
B Mbedu	Official	Owner (husband) of Myoza-yoza Trading
L Madlanga	Official	Owner (brother) of MPI Attorneys
L Madlanga	Official	Owner (brother) of SOC Cleaning
N. Manciya - Canca	Official	Owner (husband) of Litto Trading

**55.2 Councillors and Key Management Personnel - Family in service of the municipality.**

Position and Name	Family Member	Deptment	Relationship	Remuneration
Councillor - Z Ndevu	B Ndevu	Budget & Treasury	Cousin	182 281
Councillor - M N Mlenzana	LL Mlenzana	Special Programmes	Cousin	711 686
Councillor - M M Mpepanduku	S Mpepanduku	Council	Daughter	279 195
Manager - M N Sineke	S Sineke	Citizens & Community	Cousin	79 733

**55.3 Services rendered to Related Parties**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
<b>For the Year ended 30 June 2015</b>				
<u>Councillors</u>				
Cllr N Mbele	918	1 115		
<b>Total Services</b>	<b>918</b>	<b>1 115</b>	<b>-</b>	<b>-</b>
<b>For the Year ended 30 June 2014</b>				
<u>Councillors</u>				
Cllr N Mbele	810	1 064		
<b>Total Services</b>	<b>810</b>	<b>1 064</b>	<b>-</b>	<b>-</b>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**                      **2014**  
**R**

**55.4 Loans granted to Related Parties**

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. No loans from prior to this date exists.

**55.5 Compensation of Related Parties**

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

**2015**  
**R**                      **2014**  
**R**

**55.6 Purchases from Related Parties**

The municipality bought goods from the following companies, which are considered to be Related Parties:

<b>Company Name</b>	<b>Related Person</b>	<b>Company Capacity</b>	<b>Municipal Capacity</b>	<b>Purchases for the Year</b>	<b>Purchases for the Year</b>
Soul Evolution Management CC	B Mbedu	Owner (brother)	Official	33 500	
The Business Zone 1949 CC	N Mgwatyu	Owner	Casual	66 760	60 950
Myoza-yoza Trading	B Mbedu	Owner (husband)	Official	104 878	
MPI Attorneys	L Madlanga	Owner (brother)	Official	544 362	500 000
SOC Cleaning	L Madlanga	Owner (brother)	Official	79 200	187 100
Litto Trading	N. Manciya - Canca	Owner (husband)	Official	198 834	333 228
<b>Total Purchases</b>				<b>1 027 534</b>	<b>1 081 278</b>

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

**56 CONTINGENT LIABILITIES**

**56.1 Guarantees:**

The municipality did not issue any guarantee during the financial years under review.

**56.2 Court Proceedings:**

**3 311 232**                      **4 679 341**

(a) Non-payment for work done: Maximum Profit Recovery High Court claim based on non-payment of an amount of R526 868.21 plus interest being fees for services rendered.	200 000	450 000
(b) Dispute over Contract awarded Phiko Security Services have instituted action against the municipality for an amount of R756 005 plus interest at 15.5% for services rendered plus legal costs. The value of the liability is estimated at about R756 000. Court date 15 April 2015.		756 000
(c) Sunset Beach Trading 299CC High Court claim for the damages allegedly suffered by the plaintiff for loss of profit amounting to R1 875 126 plus interest	400 000	900 000
(d) ULM Ratepayers Association Letter of demand send to the municipality demanding cessation. (R100 000). In this matter the ratepayers in March 2014 sent a letter of demand to municipality demanding cessation from Umzimvubu Local Municipality an we have responded to the same		100 000
(e) Mr Khaya Jackson Mandyoli - Vehicle impound by Traffic Officers Mr Mandyoli claims against the municipality an amount of R160 000 for damages suffered because of the impounding of his vehicle by the Municipal Traffic Officers.		160 000
(f) Zanamanzi Services (Pty) Ltd The plaintiff is suing the Municipality for an amount in the sum of R176 606.91 for the rehabilitation and installation of water infrastructure at Maluti. The pleadings in this matter have been closed, however still waiting for trial date at Mthatha High Court.		176 607
(g) Reviewing of contracts : R200 000		200 000

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
(h) TCN Architects// Umzimvubu Local Municipality The plaintiff is suing the Municipality an amount of R326 234.48 arising from the contract alleged to have been entered between the plaintiff and the Municipality. The case is still on pleading stage. No court date as yet.		326 234
(i) Mpumzi Goodman Makeng// Umzimvubu Local Municipality The plaintiff is suing the Municipality for breach of contract; the matter is on the Opposed Court at Mthatha High Court. The matter is on the roll for trial on the 29th of August 2014		137 500
(j) KV Jizana // Umzimvubu Local Municipality  The Applicant in this matter has moved the application at Court for the delivery of the beast which was brought to our attention for safe keeping by the Station Commissioner in Mount Ayliff Police Station. The matter is on Opposed Court at Mount Ayliff Magistrate Court. The has been set down on contested Opposed roll for trial on the 23rd day of July 2014 at Mount Ayliff Magistrate's Court.		8 000
(k) Madodana Mayekiso //Umzimvubu Local Municipality  The plaintiff is claiming the value of his Goats which were sold on Auction by the Municipality after they were impounded. The estimated value of goats is R15000.00 as per the letter sent to us by the Plaintiff's Attorneys. There are no summons issued as yet hence there is no Court case no.		15 000
(l) Ngangelizwe Jama//Umzimvubu Local Municipality In this matter the Municipality is sued by the Plaintiff for malicious arrest, detention and prosecution. The matter was set down for trial on the 20th of May 2014 but however the matter was removed from the roll due to the unavailability of Plaintiff's Attorneys otherwise our plea was filled and served long time ago.	250 000	700 000
(m) Imbuba Mzamani JV//Umzimvubu Local Municipality Regional Magistrate's court claim based on non-payment of a sum of R156 097.52 plus interest for services rendered by the plaintiff to the Municipality	212 000	250 000
(n) S Mhlongo/Umzimvubu Local Municipality The plaintiff is claiming an amount of R100 000 for unlawful arrest and detention by the traffic Officers. The matter is pending, set down for trial on the 3rd of September 2015.	100 000	100 000
(o) Millennium Development Trust Extension 6 Development - Transfer	200 000	200 000
(p) Fondant Investment CC		200 000
(q) Kholiswa Putela and Others Magistrate's Court application for an interdict to stop the Municipality from continuing with installing electricity at ward 14	250 000	
(r) Siyabulela Ndzumo Magistrate's court claim for R200 000 in damages suffered by plaintiff due to allegedly unlawful demolition of his house	80 000	
(s) Ndzameko Kene Magistrate's Court Claim for 200 000 in damages suffered by plaintiff due to unlawful demolition of his house	80 000	
(t) Tamsanqa Tuswa Magistrate's Court Claim for 200 000 in damages suffered by plaintiff due to unlawful demolition of his house	80 000	
(u) Rose Jakuja Magistrate's Court Claim for 200 000 in damages suffered by plaintiff due to unlawful demolition of his house	80 000	
(v) Gideon Kondlo Magistrate's Court Claim for 200 000 in damages suffered by plaintiff due to unlawful demolition of his house	80 000	
(w) Yelela Ntintili Magistrate's Court Claim for 200 000 in damages suffered by plaintiff due to unlawful demolition of his house	80 000	



**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
(x) Sivumela Village Community High court application for an interdict to declare the Municipality's decision to prioritise electrification of Maxhegweni village over Sivumela unlawful and for the decision to be set aside	250 000	
(y) Mzolisi Gqunu Magistrates court application for an interdict to prevent the sale of applicants' sheep by the Municipality pending finalization of stock theft criminal case against the applicant	50 000	
(z) The Phonebook Company (Pty) Ltd Final letter of demand regarding unpaid subscription fee for advertising services rendered by the Phonebook Company to the Municipality	68 332	
(aa) Veronica Jizana The plaintiff is claiming the value of her beast which was sold on public auction by the Municipality after the criminal court case has been finalized. The matter is still pending at the Mthatha High Court.	60 000	
(ab) Gcobisa Kwebulana The plaintiff is claiming a sum of R200 000 for the allegation of the child that was electrificated at Mount Ayliff Sport	20 900	
(ac) Adelaide Moody and Others The plaintiffs in this matter are claiming damages on the allegations of the assault which were inflicted by the ULM Traffic Officers in Mount Ayliff	400 000	
(ad) Jeffrey Sangela and Others This matter concerns the illegal invasion of land in Mount Ayliff. The respondents proceeded with erection of illegal structures	160 000	
(ae) Norman Liliza Nqetho and 27 Others Illegal occupation of RDP Houses	120 000	
(af) Andile Menyo The matter concerns encroachment of the Municipal land by the respondent.	90 000	

**57 CONTINGENT ASSETS**

The case of Mbali Rural developers against the Municipality was dismissed by the court, and Mbali has to pay the Municipality legal costs amounting to R150 000,00 as per Norton Rose Attorneys.

**58 IN-KIND DONATIONS AND ASSISTANCE**

The municipality received the following in-kind donations and assistance:

16 Days of activism campaign	SEBL	3 000	3 000
	Tswelapele		15 000
	ITNA		22 000
	Bantubanye		15 000
	Miscellaneous		1 100
Annual Tourism Celebration	FNB		30 000
	Alfred Nzo DM		34 200
		<u>3 000</u>	<u>120 300</u>

**59 PRIVATE PUBLIC PARTNERSHIPS**

The municipality was not a party to any Private Public Partnerships during the year under review.

**60 EVENTS AFTER THE REPORTING DATE**

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

**61 COMPARATIVE FIGURES**

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 43) and Prior Period Errors (Note N/A).

**UMZIMVUBU LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**62 GOING CONCERN ASSESSMENT**

Management considered the following matters relating to the Going Concern:

- (i) The Council adopted the 2014/15 to 2016/17 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

**APPENDIX A**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2014	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2015
	R				R	R	R	R
<b>ANNUITY LOANS</b>								
DBSA - Electricity Infrastructure	50 000 000	9.00%		07-Aug-16	50 000 000		23 490 959	26 509 041
<b>Total Annuity Loans</b>	<b>50 000 000</b>				<b>50 000 000</b>	-	<b>23 490 959</b>	<b>26 509 041</b>
<b>CAPITAL LEASE LIABILITIES</b>								
Isuzu KB50D LWB S/Cab FMX 914 EC	187 807	9.00%	1	21-Jan-16	65 415		42 625	22 790
Isuzu KB250D TEQ S/Cab FMX 923 EC	265 351	9.00%	2	22-Dec-15	92 424		60 225	32 199
Isuzu KB250D TEQ D/Cab FMX 972 EC	328 421	9.00%	3	21-Jan-16	114 392		74 539	39 852
Chevrolet Aveo 1.6 L FNH 218 EC	137 450	9.00%	4	31-Jan-16	50 350		30 964	19 386
Chevrolet Aveo 1.6 L FMX 935 EC	152 450	9.00%	5	21-Jan-16	53 100		34 601	18 499
Chevrolet Aveo 1.6 L FMX 936 EC	152 450	9.00%	6	21-Jan-16	53 100		34 601	18 499
Chevrolet Aveo 1.6 L FMX 937 EC	152 450	9.00%	7	21-Jan-16	53 100		34 601	18 499
Chevrolet Aveo 1.6 L FMX 938 EC	152 450	9.00%	8	21-Jan-16	53 100		34 601	18 499
Chevrolet Aveo 1.6 L FMX 940 EC	152 450	9.00%	10	21-Jan-16	53 100		34 601	18 499
<b>Total Capital Lease Liabilities</b>	<b>1 681 279</b>				<b>588 079</b>	-	<b>381 356</b>	<b>206 723</b>
<b>TOTAL EXTERNAL LOANS</b>	<b>51 681 279</b>				<b>50 588 079</b>	-	<b>23 872 315</b>	<b>26 715 764</b>

**ANNUITY LOANS:**

**DBSA:**

The Annuity Loan was taken up during the year and is repayable in 3 instalments over the next three financial years at an interest rate of 9,00% per annum. The Annuity Loan is secured by Electrification Grants to be received from National Government in accordance with the Division of Revenue Act. For the next three years.

**Vehicle Leases:**

Vehicles are leased from Fleetafrica for a period of 5 years at the interest rate of 9%. At the expiry of the leases, the municipality do not have the option to (a) extend or assign the lease for a further period, or (b) repurchase the assets with the sales proceeds refunded to the municipality as a rebate of rentals.

**APPENDIX B**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	
<b>Land</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Land: Developed			666 615			666 615					-	666 615	
Land: Undeveloped	7 006 756					7 006 756					-	7 006 756	
	<b>7 006 756</b>	-	<b>666 615</b>	-	-	<b>7 673 371</b>	-	-	-	-	-	<b>7 673 371</b>	-
<b>Buildings</b>													
Office Buildings	28 788 430	364 074	4 205 592			33 358 096	11 522 405	1 152 070			12 674 474	20 683 622	
Residences				3 155 582		3 155 582		98 669			98 669	3 056 912	
Mobile Offices	427 663					427 663	184 995	42 532			227 528	200 135	
	<b>29 216 093</b>	<b>364 074</b>	<b>4 205 592</b>	<b>3 155 582</b>	-	<b>36 941 340</b>	<b>11 707 400</b>	<b>1 293 271</b>	-	-	<b>13 000 671</b>	<b>23 940 669</b>	-
<b>Infrastructure</b>													
<i>Electricity:</i>													
Electricity Supply and Reticulation			63 347 812			63 347 812					-	63 347 812	22 574 910
<i>Roads and Transport:</i>													
Bridges - Vehicle: Concrete	1 919 260		1 045 540			2 964 800	302 751	37 466			340 217	2 624 583	
Bus / Taxi Terminals	152 952					152 952	91 801	10 183			101 984	50 969	
Parking Meters	185 000					185 000	13 202	12 324			25 527	159 473	394 200
Roads - Asphalt	54 857 848		52 576 902			107 434 750	4 646 658	1 125 808			5 772 466	101 662 284	64 560 735
Roads - Other	672 323					672 323	272 131	224 853			496 984	175 339	
Roads - Gravel Surface	214 514 498	16 836 542	17 331 544		(11 884 303)	236 798 282	99 925 031	18 217 291		(11 884 303)	106 258 019	130 540 262	
Roads - Retaining Walls	3 581					3 581	1 342	179			1 521	2 060	
Street Lighting	1 994 941					1 994 941	87 594	99 679			187 273	1 807 669	
Streetname Signs	426 007					426 007	53 204	42 566			95 769	330 238	
Traffic Signs	104 467					104 467	43 669	6 851			50 520	53 947	
<i>Sanitation:</i>													
Landfill Site - Preparation						-					-	-	-
Landfill Site - Structure	3 774 776	126 500				3 901 276	1 121 734	180 697			1 302 431	2 598 845	
Landfill Site - Weighbridge			294 926			294 926					-	294 926	
Transfer Station			1 056 937			1 056 937					-	1 056 937	
Sanitation - Concrete Bins	23 220					23 220	11 394	4 636			16 030	7 190	
<i>Security Measures:</i>													
Fencing / Perimeter Protection	3 165 113	20 200		363 287	(1 078 058)	2 470 542	2 187 412	259 311		(928 024)	1 518 700	951 843	
<i>Sewerage:</i>													
Sewer Purification Works	625 096				(625 096)	-	43 012	36 280		(79 292)	-	-	
Water Boreholes - Mechanical	57 014					57 014	15 215	3 797			19 012	38 002	
Water Boreholes - Structure	270 000					270 000	14 951	8 993			23 944	246 056	
Water Tanks	7 805					7 805	2 866	1 113			3 980	3 825	
	<b>282 753 902</b>	<b>16 983 242</b>	<b>135 653 662</b>	<b>363 287</b>	<b>(13 587 457)</b>	<b>422 166 636</b>	<b>108 833 967</b>	<b>20 272 028</b>	-	<b>(12 891 619)</b>	<b>116 214 376</b>	<b>305 952 260</b>	<b>87 529 845</b>
<b>Community Assets</b>													
<i>Recreational Facilities:</i>													
Beach Developments	30 400	6 000		287 574		323 974		32 105			32 105	291 870	-
Parks			1 686 331	3 126 905		4 813 236		155 810			155 810	4 657 426	4 044 882

**APPENDIX B**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Sports Facilities:</i>													
Indoor Sports Facilities	73 368					73 368	28 123	2 932			31 055	42 313	
Outdoor Sports Facilities	3 960 066		266 744	784 708		5 011 518	1 206 070	189 555			1 395 625	3 615 893	
Stadiums		180 000	2 935 525			3 115 525		616			616	3 114 909	
Basketball Courts	264 478					264 478	101 377	10 570			111 947	152 531	
Fencing / Perimeter Protection	186 028	12 500	104 878			303 405	178 236	1 456			179 692	123 713	
<i>Other Facilities:</i>													
Care Centers	42 720 401				(42 720 401)	-	18 381 358	1 281 688		(19 663 047)	-	-	
Cemeteries	230 572		1 536 329			1 766 901	46 135	9 216			55 350	1 711 550	
Community Centers	35 816 643	27 218	9 899 532			45 743 393	10 474 987	2 370 337			12 845 324	32 898 069	
Fencing / Perimeter Protection	58 015					58 015	42 917	2 104			45 020	12 994	
Libraries	6 035 200					6 035 200		301 553			301 553	5 733 647	
Markets	5 690 382	796 500	1 978 736			8 465 618	149 708	237 061			386 769	8 078 849	
Nurseries	1 861		528 639			530 500	112	74			186	530 314	
Public Conveniences and Bathrooms	1 331 245					1 331 245	157 842	53 212			211 054	1 120 191	
Pound	518 593		921 067			1 439 659	21 866	20 721			42 587	1 397 073	245 066
	<b>96 917 251</b>	<b>1 022 218</b>	<b>19 857 780</b>	<b>6 695 323</b>	<b>(42 720 401)</b>	<b>81 772 170</b>	<b>30 788 730</b>	<b>4 793 390</b>	<b>-</b>	<b>(19 663 047)</b>	<b>15 919 073</b>	<b>65 853 097</b>	<b>4 289 948</b>
<b>Leased Assets</b>													-
Leased Motor Vehicles	1 681 279					1 681 279	1 181 894	335 453			1 517 347	163 932	
	<b>1 681 279</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 681 279</b>	<b>1 181 894</b>	<b>335 453</b>	<b>-</b>	<b>-</b>	<b>1 517 347</b>	<b>163 932</b>	<b>-</b>
<b>Other Assets</b>													-
<i>Computer Equipment:</i>													
Computer Hardware	4 205 709	1 394 200			(702 312)	4 897 598	2 139 075	877 462		(658 415)	2 358 122	2 539 476	465 000
Computer Networks	381 284				(8 870)	372 414	74 146	85 211		(8 870)	150 486	221 928	
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	23 396					23 396	6 233	5 143			11 376	12 020	
Fire Equipment	56 571					56 571	32 975	11 238			44 212	12 359	
Medical and Allied Equipment	5 475					5 475	3 681	769			4 450	1 024	-
<i>Furniture and Fittings:</i>													
Advertising Boards		409 160				409 160		6 667			6 667	402 493	1 000 000
Cabinets and Cupboards	71 297	43 177				114 474	50 369	5 923			56 291	58 183	
Chairs	94 095	34 346				128 441	18 809	20 130			38 939	89 502	
Desks and Tables	14 481	44 078				58 559	9 487	2 256			11 743	46 816	
Domestic / Hostel Furniture	151 890	11 200				163 090	74 928	15 444			90 372	72 718	
Other Furniture and Fittings	3 020 406	20 049			(162 554)	2 877 901	1 472 419	572 628		(138 239)	1 906 808	971 093	191 240
Air Conditioners (Individual)	398 289				(31 539)	366 750	318 716	40 006		(30 298)	328 424	38 325	
Audiovisual Equipment	14 796			890 346		905 142	11 319	222 959			234 278	670 864	
Domestic Equipment	94 901				(1 676)	93 226	31 439	17 530		(1 676)	47 293	45 932	
Kitchen Appliances	34 347	5 880			(3 923)	36 304	18 806	6 118		(3 923)	21 002	15 303	
Decorative Signage	350 600					350 600	128 487	50 013			178 500	172 100	
Music Instruments	21 922					21 922	8 330	2 189			10 519	11 403	-
<i>Motor Vehicles:</i>													
Bakkies (LDV's)	587 581	768 600				1 356 181	27 586	140 235			167 820	1 188 361	2 350 000
Busses	316 216					316 216	298 800	(14 184)			284 615	31 600	
Motor Cars	847 026	222 800				1 069 826	276 185	146 898			423 083	646 743	

**APPENDIX B**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Tractors	179 386					179 386	53 803	32 299			86 102	93 283	
Trailers and Accessories	150 200					150 200	126 518	2 891			129 409	20 791	
Trucks	661 467	408 381				1 069 848	493 319	36 900			530 218	539 629	
<i>Office Equipment:</i>													
Office Machines	221 144	3 200			(16 950)	207 394	107 361	34 018		(14 828)	126 551	80 843	
Photographic Equipment	200 226	16 500			(5 999)	210 727	84 137	45 292		(5 999)	123 430	87 297	
Library Books	979 252					979 252	32 436	97 843			130 280	848 972	-
<i>Plant and Equipment:</i>													
Compressors, Generators and All	98 026					98 026	34 208	17 075			51 283	46 743	
Container - Storage	634 535					634 535	508 045	40 621			548 666	85 869	
Fire Arms	12 419				(1 971)	10 447	7 390	1 699		(1 971)	7 118	3 329	
Gardening Equipment	447 953	39 980			(29 538)	458 395	210 362	86 136		(29 538)	266 960	191 434	
Radio Equipment	57 546				(17 741)	39 805	36 129	7 231		(17 741)	25 619	14 187	497 000
Security Equipment / Systems / M	168 262					168 262	47 548	33 634			81 182	87 080	
Sport and Recreational Equipmen						-					-	-	
Tents, Flags and Accessories	26 100				(26 100)	-	26 100			(26 100)	-	-	
Workshop Equipment	319 506					319 506	71 812	63 866			135 679	183 827	750 000
Workshop Tools	1 048 342				(386 953)	661 389	345 568	218 539		(163 089)	401 018	260 371	
Other Plant and Equipment	5 182 004				(7 247)	5 174 756	1 199 401	1 292 477		(7 247)	2 484 631	2 690 125	
<i>Specialised Vehicles:</i>													
Waste Disposal Trucks	1 809 699					1 809 699	362 677	162 219			524 897	1 284 802	
	22 886 349	3 595 671	-	987 499	(1 403 373)	26 066 146	8 748 601	4 404 091	-	(1 107 934)	12 044 758	14 021 388	5 253 240
<b>Total</b>	<b>440 461 630</b>	<b>21 965 205</b>	<b>160 383 648</b>	<b>11 201 691</b>	<b>(57 711 232)</b>	<b>576 300 943</b>	<b>161 260 591</b>	<b>31 098 233</b>	<b>-</b>	<b>(33 662 599)</b>	<b>158 696 225</b>	<b>417 604 717</b>	<b>97 073 033</b>
						0.00					0.00	0.00	0.00

**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Investment Properties</b>													
IP Land	20 411 575					20 411 575					-	20 411 575	
	20 411 575	-	-	-	-	20 411 575	-	-	-	-	-	20 411 575	-

**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	
	R	R	R	R	R	R	R	R	R	R	R	R	R
<b>Intangible Assets</b>													
Website			233 514			233 514					-	233 514	150 000
Computer Software	2 333 356	281 847			(155 067)	2 460 136	1 077 218	596 393		(132 633)	1 540 979	919 157	5 696 271
	2 333 356	281 847	233 514	-	(155 067)	2 693 650	1 077 218	596 393	-	(132 633)	1 540 979	1 152 672	5 846 271
						0.00							

**APPENDIX B**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2015
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R

**UMZIMVUBU LOCAL MUNICIPALITY**  
**ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 41456
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
<b>Heritage Assets</b>	R	R	R	R	R	R	R	R	R	R	R	R	R
Jewellery	17 719					17 719					-	17 719	
	17 719	-	-	-	-	17 719	-	-	-	-	-	17 719	-
<b>Total Asset Register</b>	463 224 280	22 247 052	160 617 162	11 201 691	(57 866 298)	599 423 887	162 337 810	31 694 626	-	(33 795 232)	160 237 204	439 186 683	102 919 304

**APPENDIX C**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2015**

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	2 163 682	82 862			(57 699)	2 188 845	881 981	379 974		(53 238)	1 208 716	980 129
Finance and Administration	10 107 357	2 899 432	233 514		(1 120 136)	12 120 167	5 133 351	1 989 587		(831 031)	6 291 907	5 828 260
Planning and Development	8 676 190	417 250	581 639		(745 497)	8 929 582	797 554	529 349		(199 069)	1 127 834	7 801 748
Health						-					-	-
Community and Social Services	88 559 813	50 158	6 023 871		(43 948 326)	50 685 517	31 972 965	4 409 486		(20 717 930)	15 664 521	35 020 996
Housing						-					-	-
Public Safety	4 647 211	302 617	921 067		(240)	5 870 655	1 761 802	682 163		(240)	2 443 726	3 426 929
Sport and Recreation						-					-	-
Environmental Protection						-					-	-
Waste Management	10 409 054	1 007 179	1 351 863		(351)	12 767 745	2 203 344	1 329 321		(351)	3 532 314	9 235 432
Roads and Transport	338 660 972	17 487 554	151 505 208	11 201 691	(11 994 050)	506 861 375	119 586 813	22 374 746		(11 993 373)	129 968 186	376 893 189
Water	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>463 224 280</b>	<b>22 247 052</b>	<b>160 617 162</b>	<b>11 201 691</b>	<b>(57 866 298)</b>	<b>599 423 887</b>	<b>162 337 810</b>	<b>31 694 626</b>	<b>-</b>	<b>(33 795 232)</b>	<b>160 237 204</b>	<b>439 186 683</b>



**APPENDIX D**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)	Description	2015 Actual Income	2015 Actual Expenditure	2015 Surplus/ (Deficit)
R	R	R		R	R	R
150 000	29 696 042	(29 546 042)	Executive and Council	435 000	33 098 798	(32 663 798)
140 214 762	68 124 533	72 090 229	Finance and Administration	156 051 337	99 170 689	56 880 648
86 068 743	35 447 802	50 620 941	Planning and Development	70 456 398	37 213 821	33 242 577
122 842	2 679 870	(2 557 028)	Community and Social Services	220 338	3 035 125	(2 814 786)
11 291 048	18 656 230	(7 365 182)	Public Safety	5 753 492	17 383 394	(11 629 902)
8 640 623	12 179 075	(3 538 452)	Waste Management	3 683 710	16 030 980	(12 347 270)
<b>246 488 019</b>	<b>166 783 553</b>	<b>79 704 465</b>	<b>Total</b>	<b>236 600 276</b>	<b>205 932 807</b>	<b>30 667 470</b>

**APPENDIX E(1)**  
**UMZIMVUBU LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15									2013/14
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
<b>REVENUE - STANDARD</b>										
<b>Governance and Administration:</b>										
Executive and Council	150 000	150 000	300 000		300 000	435 000	135 000	145.00	290.00	150 000
Budget and Treasury Office	168 836 889	2 724 423	171 561 312		171 561 312	155 970 830	(15 590 482)	90.91	92.38	140 037 651
Corporate Services	390 720	(237 720)	153 000		153 000	80 507	(72 493)	52.62	20.60	177 112
<b>Community and Public Safety:</b>										
Community and Social Services	152 000	255 000	407 000		407 000	225 438	(181 562)	55.39	148.31	124 842
Public Safety	5 250 700	(730 700)	4 520 000		4 520 000	5 753 492	1 233 492	127.29	109.58	11 291 048
<b>Economic and Environmental Services:</b>										
Planning and Development	340 429	3 878 173	4 218 602		4 218 602	837 105	(3 381 497)	19.84	245.90	1 788 067
Road Transport	76 596 091	17 839 494	94 435 585	10 255 639	104 691 224	69 614 193	(35 077 031)	66.49	90.88	84 278 676
<b>Trading Services:</b>										
Waste Management	(2 250 000)	5 000 000	2 750 000		2 750 000	3 683 710	933 710	133.95		8 640 623
<b>Total Revenue - Standard</b>	249 466 829	28 878 670	278 345 499	10 255 639	288 601 138	236 600 276	(52 000 862)	81.98	94.84	246 488 019
	0		0							
<b>EXPENDITURE - STANDARD</b>										
<b>Governance and Administration:</b>										
Executive and Council	30 444 851	5 752 566	36 197 416	169 543	36 366 959	33 098 798	(3 268 161)	91.01	108.72	29 696 042
Budget and Treasury Office	70 255 502	16 482 296	86 737 798	1 322 275	88 060 073	82 751 426	(5 308 646)	93.97	117.79	53 149 909
Corporate Services	16 319 329	(299 490)	16 019 840	681 674	16 701 514	16 419 263	(282 251)	98.31	100.61	14 974 624
<b>Community and Public Safety:</b>										
Community and Social Services	11 027 564	755 568	11 783 132	(69 364)	11 713 768	12 149 921	436 153	103.72	110.18	10 509 053
Public Safety	15 168 648	183 577	15 352 225	2 198 953	17 551 178	17 383 394	(167 784)	99.04	114.60	18 656 230
<b>Economic and Environmental Services:</b>										
Planning and Development	14 131 952	1 006 527	15 138 479	(1 206 357)	13 932 121	11 473 278	(2 458 844)	82.35	81.19	9 632 589
Road Transport	17 040 062	8 199 147	25 239 209	20 345 112	45 584 321	16 625 747	(28 958 574)	36.47	97.57	17 986 031
<b>Trading Services:</b>										
Waste Management	13 408 913	(2 095 419)	11 313 494	3 904 407	15 217 901	16 030 980	813 078	105.34	119.55	12 179 075
<b>Total Expenditure - Standard</b>	187 796 820	29 984 772	217 781 592	27 346 243	245 127 835	205 932 807	(39 195 028)	84.01	109.66	166 783 553
	0		0							
<b>Surplus/(Deficit) for the year</b>	<b>61 670 009</b>	<b>(1 106 102)</b>	<b>60 563 907</b>	<b>(17 090 604)</b>	<b>43 473 303</b>	<b>30 667 470</b>	<b>(12 805 834)</b>	<b>70.54</b>	<b>49.73</b>	<b>79 704 465</b>

**APPENDIX E (2)**  
**UMZIMVUBU LOCAL MUNICIPALITY**

**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15									2013/14
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
<b>REVENUE BY VOTE</b>										
Vote 1 - Executive and Council	150 000	250 000	400 000		400 000	440 100	40 100	110.03	293.40	152 000
Vote 2 - Budget and Treasury	168 836 889	2 724 423	171 561 312		171 561 312	155 970 830	(15 590 482)	90.91	92.38	140 037 651
Vote 3 - Corporate Services	390 720	(237 720)	153 000		153 000	80 507	(72 493)	52.62	20.60	177 112
Vote 4 - Community and Social Services	3 152 700	4 424 300	7 577 000		7 577 000	9 657 541	2 080 541	127.46	306.33	20 054 513
Vote 5 - Local Economic Development	340 429	3 878 173	4 218 602		4 218 602	837 105	(3 381 497)	19.84	245.90	1 788 067
Vote 6 - Infrastructure and Planning	67 386 200	37 306 537	104 692 737	(1 513)	104 691 224	69 614 193	(35 077 031)	66.49	103.31	84 278 676
<b>Total Revenue by Vote</b>	<b>240 256 938</b>	<b>48 345 713</b>	<b>288 602 651</b>	<b>(1 513)</b>	<b>288 601 138</b>	<b>236 600 276</b>	<b>(52 000 862)</b>	<b>81.98</b>	<b>98.48</b>	<b>246 488 019</b>
<b>EXPENDITURE BY VOTE</b>										
Vote 1 - Executive and Council	38 993 234	5 693 215	44 686 449	100 179	44 786 628	42 213 594	(2 573 034)	94.25	108.26	37 525 225
Vote 2 - Budget and Treasury	70 255 502	16 482 296	86 737 798	1 322 275	88 060 073	82 751 426	(5 308 646)	93.97	117.79	53 149 909
Vote 3 - Corporate Services	16 319 329	(299 490)	16 019 840	681 674	16 701 514	16 419 263	(282 251)	98.31	100.61	14 974 624
Vote 4 - Community and Social Services	31 056 741	(1 096 923)	29 959 818	6 103 360	36 063 178	36 449 499	386 320	101.07	117.36	33 515 176
Vote 5 - Local Economic Development	14 131 952	1 006 527	15 138 479	(1 206 357)	13 932 121	11 473 278	(2 458 844)	82.35	81.19	9 632 589
Vote 6 - Infrastructure and Planning	7 830 171	27 666 190	35 496 361	10 087 960	45 584 321	16 625 747	(28 958 574)	36.47	212.33	17 986 031
<b>Total Expenditure by Vote</b>	<b>178 586 929</b>	<b>49 451 815</b>	<b>228 038 744</b>	<b>17 089 091</b>	<b>245 127 835</b>	<b>205 932 807</b>	<b>(39 195 028)</b>	<b>84.01</b>	<b>115.31</b>	<b>166 783 553</b>
<b>Surplus/(Deficit) for the year</b>	<b>61 670 009</b>	<b>(1 106 102)</b>	<b>60 563 907</b>	<b>(17 090 604)</b>	<b>43 473 303</b>	<b>30 667 470</b>	<b>(12 805 834)</b>	<b>70.54</b>	<b>49.73</b>	<b>79 704 465</b>

**APPENDIX E (3)**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15								2013/14	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
<b>Revenue by Source</b>										
Property Rates	10 000 000		10 000 000		10 000 000	8 945 786	(1 054 214)	89.46	89.46	8 468 165
Service Charges - Refuse	(2 500 000)	5 000 000	2 500 000		2 500 000	1 426 599	(1 073 401)	57.06		1 325 645
Rental of Facilities and Equipment	1 497 000	181 673	1 678 673		1 678 673	1 282 767	(395 906)	76.42	85.69	1 804 263
Interest Earned - External Investments	1 900 000	250 000	2 150 000		2 150 000	3 704 587	1 554 587	172.31	194.98	3 173 126
Interest Earned - Outstanding Debtors	1 300 000	100 000	1 400 000		1 400 000	1 516 359	116 359	108.31	116.64	1 139 373
Fines	800 000	(400 000)	400 000		400 000	1 670 450	1 270 450	417.61	208.81	7 011 338
Licences and Permits	2 557 000	(107 000)	2 450 000		2 450 000	2 381 473	(68 527)	97.20	93.14	2 680 885
Agency Services	1 310 000		1 310 000		1 310 000	1 400 182	90 182	106.88	106.88	1 392 701
Transfers Recognised - Operational	209 850 000	27 217 000	237 067 000	10 129 152	247 196 152	142 888 020	(104 308 132)	57.80	68.09	217 148 321
Other Revenue	17 491 000	(541 800)	16 949 200	128 000	17 077 200	2 761 655	(14 315 545)	16.17	15.79	1 946 952
Gains on Disposal of PPE	261 829	2 178 797	2 440 626	(1 513)	2 439 113	509 957	(1 929 156)	20.91	194.77	397 250
<b>Total Revenue (excluding Capital Transfers &amp; Contributions)</b>	<b>249 466 829</b>	<b>28 878 670</b>	<b>278 345 499</b>	<b>10 255 639</b>	<b>288 601 138</b>	<b>168 487 835</b>	<b>(120 113 303)</b>	<b>58.38</b>	<b>67.54</b>	<b>246 488 019</b>
<b>Expenditure</b>										
Employee Related Costs	52 557 000	(1 717 177)	50 839 823	(2)	50 839 821	50 612 945	(226 876)	99.55	96.30	45 599 361
Remuneration of Councillors	14 657 860	1 880 349	16 538 209		16 538 209	14 621 700	(1 916 509)	88.41	99.75	13 847 864
Debt Impairment	3 398 400	11 601 600	15 000 000	(9 205 781)	5 794 219	5 794 095	(125)	100.00	170.49	2 156 536
Depreciation and Asset Impairment	40 356 000	3 140 000	43 496 000	(9 584 347)	33 911 653	31 694 626	(2 217 027)	93.46	78.54	30 299 368
Finance Charges	21 000		21 000	31 095 655	31 116 655	5 498 655	(25 618 000)	17.67	26 184.07	1 914 921
Other Materials	3 474 622	(98 000)	3 376 622		3 376 622	1 936 177	(1 440 445)	57.34	55.72	2 331 654
Contracted Services	1 530 000		1 530 000	5 811 493	7 341 493	7 341 493		100.00	479.84	5 646 406
Transfers and Grants	4 558 560		4 558 560	(971 141)	3 587 419	3 457 057	(130 362)	96.37	75.84	3 371 167
Other Expenditure	67 243 378	15 178 000	82 421 378	(13 405 858)	69 015 520	61 369 834	(7 645 686)	88.92	91.27	61 291 304
Loss on Disposal of PPE				23 606 224	23 606 224	23 606 224		100.00		324 974
<b>Total Expenditure</b>	<b>187 796 820</b>	<b>29 984 772</b>	<b>217 781 592</b>	<b>27 346 243</b>	<b>245 127 835</b>	<b>205 932 807</b>	<b>(39 195 028)</b>	<b>84.01</b>	<b>109.66</b>	<b>166 783 553</b>
<b>Surplus/(Deficit)</b>	<b>61 670 009</b>	<b>(1 106 102)</b>	<b>60 563 907</b>	<b>(17 090 604)</b>	<b>43 473 303</b>	<b>(37 444 972)</b>	<b>(80 918 275)</b>			<b>79 704 465</b>
Transfers Recognised - Capital						68 112 442	68 112 442			
<b>Surplus/(Deficit) for the Year</b>	<b>61 670 009</b>	<b>(1 106 102)</b>	<b>60 563 907</b>	<b>(17 090 604)</b>	<b>43 473 303</b>	<b>30 667 470</b>	<b>(12 805 834)</b>	<b>70.54</b>	<b>49.73</b>	<b>79 704 465</b>

**APPENDIX E(4)**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15									2013/14
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
<b>CAPITAL EXPENDITURE - VOTE</b>										
<b>Multi-year Expenditure</b>										
Executive and Council	840 000	1 053 240	1 893 240	(1 732 000)	161 240	82 862	(78 378)	51.39	9.86	
Budget and Treasury	1 300 000	100 000	1 400 000	400 000	1 800 000	1 584 327	(215 673)	88.02	121.87	
Corporate Services	4 239 540	60 000	4 299 540	96 731	4 396 271	1 426 219	(2 970 053)	32.44	33.64	
Local Economic Development	5 125 681	(3 576 000)	1 549 681	(24 681)	1 525 000	37 450	(1 487 550)	2.46		
Infrastructure and Planning	62 446 665	25 850 000	88 296 665	(6 766 138)	81 530 527	79 237 181	(2 293 346)	97.19	126.89	
Community and Social Services	30 000		30 000	8 000 000	8 030 000	832 674	(7 197 326)	10.37	2 775.58	
Waste Management	3 590 000	(1 488 734)	2 101 266	688 734	2 790 000	1 007 179	(1 782 821)	36.10	28.06	
Public Safety	2 851 266	(61 266)	2 790 000	(103 734)	2 686 266	385 203	(2 301 063)	14.34	13.51	
<b>Total Capital Expenditure - Multi-year</b>	<b>80 423 152</b>	<b>21 937 240</b>	<b>102 360 392</b>	<b>558 912</b>	<b>102 919 304</b>	<b>84 593 094</b>	<b>(18 326 210)</b>	<b>82.19</b>	<b>105.19</b>	<b>-</b>
<b>Total Capital Expenditure - Vote</b>	<b>80 423 152</b>	<b>21 937 240</b>	<b>102 360 392</b>	<b>558 912</b>	<b>102 919 304</b>	<b>84 593 094</b>	<b>(18 326 210)</b>	<b>82.19</b>	<b>105.19</b>	<b>-</b>
<b>CAPITAL EXPENDITURE - STANDARD</b>										
<b>Governance and Administration:</b>										
Executive and Council	840 000	1 053 240	1 893 240	(1 732 000)	161 240	82 862	(78 378)	51.39	9.86	129 003
Budget and Treasury Office	1 300 000	100 000	1 400 000	400 000	1 800 000	1 584 327	(215 673)	88.02	121.87	917 068
Corporate Services	4 239 540	60 000	4 299 540	96 731	4 396 271	1 426 219	(2 970 053)	32.44	33.64	
<b>Community and Public Safety:</b>										
Community and Social Services	30 000		30 000	8 000 000	8 030 000	832 674	(7 197 326)	10.37	2 775.58	108 872 443
Public Safety	2 851 266	(61 266)	2 790 000	(103 734)	2 686 266	385 203	(2 301 063)	14.34	13.51	3 907 790
<b>Economic and Environmental Services:</b>										
Planning and Development	5 125 681	(3 576 000)	1 549 681	(24 681)	1 525 000	37 450	(1 487 550)	2.46		877 622
Road Transport	62 446 665	25 850 000	88 296 665	(6 766 138)	81 530 527	79 237 181	(2 293 346)	97.19	126.89	
<b>Trading Services:</b>										
Waste Management	3 590 000	(1 488 734)	2 101 266	688 734	2 790 000	1 007 179	(1 782 821)	36.10	28.06	
<b>Total Capital Expenditure - Standard</b>	<b>80 423 152</b>	<b>21 937 240</b>	<b>102 360 392</b>	<b>558 912</b>	<b>102 919 304</b>	<b>84 593 094</b>	<b>(18 326 210)</b>	<b>82.19</b>	<b>105.19</b>	<b>134 029 239</b>
<b>FUNDED BY:</b>										
National Government	80 423 152	21 937 240	102 360 392	558 912	102 919 304	84 593 094	(18 326 210)	82.19	105.19	
<b>Total Capital Funding</b>	<b>80 423 152</b>	<b>21 937 240</b>	<b>102 360 392</b>	<b>558 912</b>	<b>102 919 304</b>	<b>84 593 094</b>	<b>(18 326 210)</b>	<b>82.19</b>	<b>105.19</b>	<b>-</b>

**APPENDIX E(5)**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015**

Description	2014/15								2013/14
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and Other	36 278 809	(2 709 809)	33 569 000	52 405 000	23 247 068	(29 157 932)	44.36	64.08	12 252 390
Government - Operating	209 725 000	27 336 000	237 061 000	210 000 000	141 730 366				115 663 313
Government - Capital					68 112 442	68 112 442			80 372 936
Interest	3 200 000	350 000	3 550 000	4 500 000	4 100 102	(399 898)	91.11	128.13	3 876 225
<b>Payments</b>									
Suppliers and Employees	(139 462 860)	(36 450 764)	(175 913 624)	(135 212 581)	(137 970 315)	(2 757 734)			(132 997 648)
Finance Charges	(21 000)		(21 000)	(4 500 000)	(5 498 655)	(998 655)			(1 914 921)
Transfers and Grants	(4 558 560)		(4 558 560)	(3 587 419)	(3 457 057)	130 362			(3 371 167)
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	-	(11 474 573)	-	-	-	-	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on Disposal of PPE	261 829	2 178 797	2 440 626	1 075 000	998 746	(76 254)	92.91	381.45	3 525 630
<b>Payments</b>									
Capital Assets	(80 423 152)	(21 937 240)	(102 360 392)	(84 150 000)	(84 593 094)	(443 094)			(134 029 239)
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	(80 161 323)	(19 758 443)	(99 919 766)	(83 075 000)	(83 594 348)	(519 348)	0.00	0.00	(130 503 609)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
<b>Receipts</b>									
New Loans raised									50 000 000
<b>Payments</b>									
Loans repaid	(17 626 000)		(17 626 000)	(23 870 000)	(23 872 315)	(2 315)			(348 650)
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	(17 626 000)	-	(17 626 000)	(23 870 000)	(23 872 315)	(2 315)	0.00	0.00	-
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>17 626 000</b>		<b>17 626 000</b>	<b>23 870 000</b>	23 894 749				(49 651 350)
	(7 374 066)	31 233 016	23 858 950	(16 660 000)	17 225 147	33 885 147	0.00	0.00	6 971 129
Cash / Cash Equivalents at the Year begin:	42 476 321		42 476 321	42 476 321	42 476 321		100.00	100.00	49 447 451
Cash / Cash Equivalents at the Year end:	49 850 387	(31 233 016)	18 617 372	59 136 321	25 251 175	(33 885 147)	42.70	50.65	42 476 321

**APPENDIX F**  
**UMZIMVUBU LOCAL MUNICIPALITY**

**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Compliance to Revenue Act (*) See below
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	Yes / No
Equitable Share	Nat Treasury	0	53 900 000	45 389 000	36 879 000	0	0	36 528 933	31 534 044	36 892 000	31 213 022	Yes
FMG	Nat Treasury	0	1 600 000	0	0	0	0	663 866	604 648	108 333	223 066	Yes
NDPG	Nat Treasury	0	0	0	0	0	0	0	0	0	0	Yes
MIG Projects	MIG	0	5 431 000	14 431 000	23 432 000	0	2 181 558	4 608 991	6 975 115	11 345 256	18 433 446	Yes
Bulk Infrastructure Grant	DWAF	0	0	0	0	0	0	0	0	0	0	Yes
DWAF O & M	DWAF	0	0	0	0	0	0	0	0	0	0	Yes
DME Projects	DME	0	25 000 000	0	2 000 000	0	0	25 000 000	0	0	2 000 000	Yes
MSIG	DPLG	0	934 000	0	0	0	-4 723	413 732	254 048	42 019	224 113	Yes
EPWP Incentive Grant	Province	0	637 000	478 000	478 000	0	0	0	94 696	644 804	856 814	Yes
<b>Total Grants and Subsidies Received</b>		<b>0</b>	<b>87 502 000</b>	<b>60 298 000</b>	<b>62 789 000</b>	<b>0</b>	<b>2 176 836</b>	<b>67 215 522</b>	<b>39 462 551</b>	<b>49 032 412</b>	<b>52 950 461</b>	

(\*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?

**APPENDIX G**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF MANAGEMENT**

30 June 2015

Incumbent	Personal Reference Number	Period		Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
		From	To	R	R	R	R	R
<b>Mayor</b>								
KS Pangwa	3078	2014/07/01	2015/06/30	374 498	-	278 557	65 440	718 495
<b>Speaker: Full Time</b>								
ZO Sisilana	3159	2014/07/01	2015/06/30	340 878	-	203 006	30 912	574 796
<b>Chief WIP: Full Time</b>								
N Mbele	3117	2014/07/01	2015/06/30	280 874	-	219 298	38 700	538 872
<b>Executive Committee</b>								
MV Nkqayi	3116	2014/07/01	2015/06/30	280 874	-	188 342	69 656	538 872
VA Bulana	3085	2014/07/01	2015/06/30	154 481	-	98 637	21 977	275 094
LT Qasha	3150	2014/07/01	2015/06/30	319 574	-	175 113	44 185	538 872
Z Ndevu	3045	2014/07/01	2015/06/30	280 784	-	190 426	67 572	538 782
EN Ngalonkulu - Lebelo	3047	2014/07/01	2015/06/30	154 481	-	94 569	26 045	275 094
N Mpumlwana	3136	2014/07/01	2015/06/30	280 874	-	205 457	52 540	538 872
N Nkula	3118	2014/07/01	2015/06/30	154 481	-	120 614		275 094
PK Thingathinga	3102	2014/07/01	2015/06/30	154 481	-	122 123		276 603
<b>Other Councillors</b>								
FJ Hem	3156	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
AL Mwezula	3140	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
MM Mpepanduku	3091	2014/07/01	2015/06/30	112 349	-	69 811	33 389	215 548
X Jona	3158	2014/07/01	2015/06/30	112 349	-	73 879	29 321	215 548
M Mpakumpaku	3154	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
NM Mlenzana	3147	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
M Jojo	3122	2014/07/01	2015/06/30	112 349	-	103 199	-	215 548
ZJ Mendu	3128	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
V Nyangane	3131	2014/07/01	2015/06/30	112 349	-	73 879	29 321	215 548
N Gogela	3145	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
ZB Mtebele	3138	2014/07/01	2015/06/30	163 949	-	10 471	41 128	215 548
CT Ndawo	3137	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
BMA Zililo	3129	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
N Sonyabashi	3135	2014/07/01	2015/06/30	112 349	-	81 222	21 977	215 548
SAN Cekeshe	3113	2014/07/01	2015/06/30	112 349	-	103 199	-	215 548
S Mankanku	3132	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
NT Xezu	3112	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
N Jijana	3142	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
V Ngabaza	3123	2014/07/01	2015/06/30	112 349	-	69 498	33 701	215 548
FN Ngonyolo	3115	2014/07/01	2015/06/30	112 349	-	83 975	19 224	215 548



CM Ngalonkulu	3114	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
BT Ngqasa	3149	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
MH Kwekwile	3133	2014/07/01	2015/06/30	112 349	-	70 385	33 083	215 816
NA Sobahle	3139	2014/07/01	2015/06/30	148 469	-	67 079	-	215 548
NP Ndabeni	3126	2014/07/01	2015/06/30	112 349	-	75 963	27 236	215 548
S Nogcantsi	3130	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
SP Myingwa	3157	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
NE Pakkies	3122	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
T Mabindisa	3141	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
MM Gwanya	3155	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
AZ Gwebani	3006	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
N Boyce	3125	2014/07/01	2015/06/30	112 349	-	90 241	12 958	215 548
B Mngweba	3127	2014/07/01	2015/06/30	163 949	-	28 380	23 220	215 548
NO Godlo	3124	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
NP Mlandu	3120	2014/07/01	2015/06/30	163 949	-	10 471	41 128	215 548
GU Makanda	3088	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
TA Mambi	3146	2014/07/01	2015/06/30	112 349	-	103 199	-	215 548
F Ntwakumba	3143	2014/07/01	2015/06/30	112 349	-	69 018	34 181	215 548
NN Gcadinja	3084	2014/07/01	2015/06/30	112 349	-	78 737	24 463	215 548
N Mpanda	3094	2014/07/01	2015/06/30	144 181	-	107 121	25 318	276 620
SK Mnukwa	3153	2014/07/01	2015/06/30	112 349	-	64 723	38 476	215 548
B Ripa	3148	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
NA Matshongo	3144	2014/07/01	2015/06/30	112 349	-	87 719	15 480	215 548
<b>Total for Councillors</b>				<b>7 830 037</b>		<b>5 348 130</b>	<b>1 241 186</b>	<b>14 419 353</b>

Incumbent	Personal Reference Number	Period		Basic	Bonuses	Allowances	Contributions to Funds	Total
		From	To	Salaries				Remuneration
				R	R	R	R	R
GPT Nota	4274	2014/07/01	2015/06/30	758 537	61 686	224 428	188 532	1 233 183
<b>Chief Financial Officer</b>								
X. Venn	4314	2014/07/01	2015/06/30	571 748	46 496	265 787	45 888	929 920
<b>Manager: Community Services</b>								
M Sineke	4281	2014/07/01	2015/06/30	597 146	46 496	286 278		929 920
<b>Manager: Corporate Services</b>								
N Kubone	4280	2014/07/01	2015/06/30	622 545	46 496	234 091	26 788	929 920
<b>Manager: Local Economic Development</b>								
SL Batyi	4267	2014/07/01	2015/06/30	571 748	46 496	265 787	45 888	929 920
<b>Manager: Infrastructure and Planning</b>								
SP Ntonga	1517	2014/07/01	2015/06/30	571 748	46 496	311 676		929 920
<b>Manager: Chief Operations Officer</b>								
S Kulu	4158	2014/07/01	2015/06/30	571 748	46 496	249 810	61 866	929 920
<b>Total for Senior Managers</b>				4 265 221	340 662	1 837 857	368 963	6 812 703
<b>Total for Management</b>				<b>12 095 258</b>	<b>340 662</b>	<b>7 185 987</b>	<b>1 610 149</b>	<b>21 232 056</b>

Incumbent	Personal Reference Number	Period		Basic	Bonuses	Allowances	Contributions	Total
		From	To	Salaries			to Funds	Remuneration
				R	R	R	R	R
<b>Mayor</b>								
KS Pangwa	3078	2013/07/01	2014/06/30	349 672		266 211	40 496	656 379
<b>Speaker: Part Time</b>								-
<b>Speaker: Full Time</b>								
ZO Sisilana	3159	2013/07/01	2014/06/30	279 738		247 570	57 720	585 028
<b>Chief WIP: Part Time</b>								-
<b>Chief WIP: Full Time</b>								
N Mbele	3117	2013/07/01	2014/06/30	262 254		261 273	24 208	547 735
<b>Executive Committee</b>								
MV Nkqayi	3116	2013/07/01	2014/06/30	262 254		246 897	24 208	533 359
VA Bulana	3085	2013/07/01	2014/06/30	144 239		125 536	29 842	299 618
LT Qasha	3150	2013/07/01	2014/06/30	262 254		236 134	63 429	561 818
Z Ndevu	3045	2013/07/01	2014/06/30	262 254		231 977	37 248	531 479
EN Ngalonkulu - Lebelo	3047	2013/07/01	2014/06/30	144 239		93 005	28 765	266 010
N Mpumlwana	3136	2013/07/01	2014/06/30	262 254		242 870	24 208	529 333
N Nkula	3118	2013/07/01	2014/06/30	144 239		157 745	20 304	322 289
PK Thingathinga	3102	2013/07/01	2014/06/30	144 239		133 634	20 305	298 178
<b>Other Councillors</b>								
FJ Hem	3156	2013/07/01	2014/06/30	104 902		83 679	9 683	198 264
AL Mwezula	3140	2013/07/01	2014/06/30	104 902		83 679	9 683	198 264
MM Mpepanduku	3091	2013/07/01	2014/06/30	104 902		76 735	20 313	201 949
X Jona	3158	2013/07/01	2014/06/30	104 902		79 178	9 683	193 763
M Mpakumpaku	3154	2013/07/01	2014/06/30	104 902		88 203	9 683	202 788
NM Mlenzana	3147	2013/07/01	2014/06/30	104 902		100 201	19 497	224 600
M Jojo	3122	2013/07/01	2014/06/30	104 902		86 268	14 767	205 936
ZJ Mendu	3128	2013/07/01	2014/06/30	104 902		87 082	9 683	201 666
V Nyangane	3131	2013/07/01	2014/06/30	104 902		72 365	17 902	195 168
N Gogela	3145	2013/07/01	2014/06/30	104 902		83 679	9 683	198 264
ZB Mtebele	3138	2013/07/01	2014/06/30	121 847		47 739	20 313	189 899
CT Ndawo	3137	2013/07/01	2014/06/30	104 902		83 679	9 683	198 264
BMA Zililo	3129	2013/07/01	2014/06/30	104 902		83 679	9 683	198 264
N Sonyabashi	3135	2013/07/01	2014/06/30	104 902		76 533	14 767	196 201
SAN Cekeshe	3113	2013/07/01	2014/06/30	104 902		97 604	14 767	217 273
S Mankanku	3132	2013/07/01	2014/06/30	104 902		82 768	9 683	197 353
NT Xezu	3112	2013/07/01	2014/06/30	104 902		83 679	9 683	198 264
N Jijana	3142	2013/07/01	2014/06/30	104 902		83 679	9 683	198 264
V Ngabaza	3123	2013/07/01	2014/06/30	104 902		67 328	20 206	192 435

FN Ngonyolo	3115	2013/07/01	2014/06/30	104 902	67 226	25 396	197 524
CM Ngalonkulu	3114	2013/07/01	2014/06/30	104 902	83 679	9 683	198 264
BT Ngqasa	3149	2013/07/01	2014/06/30	104 902	104 404	9 683	218 989
MH Kwekwile	3133	2013/07/01	2014/06/30	104 902	77 514	9 683	192 099
NA Sobahle	3139	2013/07/01	2014/06/30	116 764	70 038	16 546	203 348
NP Ndabeni	3126	2013/07/01	2014/06/30	104 902	79 914	9 683	194 499
S Nogcantsi	3130	2013/07/01	2014/06/30	104 902	83 679	9 683	198 264
SP Myingwa	3157	2013/07/01	2014/06/30	104 902	83 679	9 683	198 264
NE Pakkies	3122	2013/07/01	2014/06/30	104 902	86 443	9 683	201 028
T Mabindisa	3141	2013/07/01	2014/06/30	104 902	90 328	9 683	204 913
MM Gwanya	3155	2013/07/01	2014/06/30	104 902	83 679	9 683	198 264
AZ Gwebani	3006	2013/07/01	2014/06/30	104 902	95 909	9 683	210 494
N Boyce	3125	2013/07/01	2014/06/30	104 902	81 598	14 767	201 267
B Mngweba	3127	2013/07/01	2014/06/30	121 847	64 192	9 683	195 723
NO Godlo	3124	2013/07/01	2014/06/30	104 902	85 965	9 683	200 550
NP Mlandu	3120	2013/07/01	2014/06/30	121 847	47 739	20 313	189 899
GU Makanda	3088	2013/07/01	2014/06/30	104 902	83 679	9 683	198 264
TA Mambi	3146	2013/07/01	2014/06/30	104 902	85 223	14 767	204 891
F Ntwakumba	3143	2013/07/01	2014/06/30	104 902	77 855	9 683	192 440
NN Gcadinja	3084	2013/07/01	2014/06/30	104 902	75 600	14 878	195 379
N Mpanda	3094	2013/07/01	2014/06/30	134 624	132 768	18 859	286 251
SK Mnukwa	3153	2013/07/01	2014/06/30	104 902	81 500	22 974	209 376
B Ripa	3148	2013/07/01	2014/06/30	104 902	103 541	9 683	218 126
NA Matshongo	3144	2013/07/01	2014/06/30	104 902	83 679	14 767	203 348
<b>Total for Councillors</b>				7 120 829	5 800 447	928 297	13 849 573

Incumbent	Personal Reference Number	Period		Basic	Bonuses	Allowances	Contributions to Funds	Total
		From	To	Salaries				Remuneration
				R	R	R	R	R
GPT Nota	4274	2013/07/01	2014/06/30	711 432	151 384	256 446	176 175	1 295 437
<b>Chief Financial Officer</b>								
X. Venn	4314	2013/07/01	2014/06/30	533 393	55 611	269 037	43 676	901 717
<b>Manager: Community Services</b>								
M Sineke	4281	2013/07/01	2014/06/30	533 393	89 655	305 002		928 051
<b>Manager: Corporate Services</b>								
N Kubone	4280	2013/07/01	2014/06/30	533 393	89 655	284 055	30 461	937 565
<b>Manager: Local Economic Development</b>								
SL Batyi	4267	2013/07/01	2014/06/30	533 394	52 290	284 958	43 676	914 317
<b>Manager: Infrastructure and Planning</b>								
SP Ntonga	1517	2013/07/01	2014/06/30	606 752	89 655	321 923		1 018 329
<b>Manager: Chief Operations Officer</b>								
S Kulu	4158	2013/07/01	2014/06/30	533 393	89 655	256 432	58 883	938 363
<b>Total for Senior Managers</b>				3 985 151	617 905	1 977 854	352 871	6 933 780
<b>Total for Management</b>				11 105 979	617 905	7 778 301	1 281 168	20 783 353

**APPENDIX H**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description		Data Inputs and Results		Interpretation	Management Comments (#)
							2015	2014		
1. FINANCIAL POSITION										
A. Asset Management / Utilisation										
1.	Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%			29.12%	44.56%	Refer to Page 2 of MFMA Circular No 71	The Municipality is rural and has serious backlogs in terms of service delivery therefore the total for capital expenditure is huge to cover the backlog.
					Total Operating Expenditure		205 932 807	166 783 553		
					Taxation Expense		-	-		
					Total Capital Expenditure		84 593 094	134 029 239		
2.	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100	Statement of Financial Position, Notes to the AFS and AR	0%			0.21%	0.02%	Refer to Page 3 of MFMA Circular No 71	This is within the norm so there is no service delivery risk.
					PPE, Investment Property & Intangible Impairment		937 710	93 234		
					PPE at Carrying Value		417 604 717	388 551 450		
					IP at Carrying Value		20 411 575	20 411 575		
							1 152 672	1 378 537		
3.	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%			0.44%	0.57%	Refer to Page 4 of MFMA Circular No 71	The major part of repairs and maintenance is done on gravel roads and because it is huge amounts in most cases, it ends up being capitalised.
					Total Repairs and Maintenance Expenditure		1 936 177	2 331 654		
					PPE at Carrying Value		417 604 717	388 551 450		
					Investment Property at Carrying Value		20 411 575	20 411 575		
B. Debtors Management										
1.	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%			85.50%	87.80%	Refer to Page 5 of MFMA Circular No 71	The collection rate is below the norm because consumers had issues about the past valuation roll but the Municipality is now in a process of ensuring that debtors do pay, and the debt that was disputed has now been written off.
					Gross Debtors Closing Balance		18 511 619	31 033 781		
					Gross Debtors Opening Balance		31 033 781	41 148 382		
					Bad Debts Written-off		14 246 137	11 448 326		
					Billed Revenue		11 888 744	10 933 183		
2.	Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%			68.85%	49.37%	Refer to Page 5 of MFMA Circular No 71	The Municipality has written off 68.85% of the debt againsts provision because we believe that the rest of the debt can be recovered from consumers.
					Consumer Debtors Bad Debts Written-off		14 246 137	11 448 326		
					Consumer Debtors Current Bad Debt Provision		20 691 239	23 190 346		
3.	Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue)) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days			158 Days	262 Days	Refer to Page 6 of MFMA Circular No 71	The culture of non-payment is still an issue in most areas more especially with the residential consumers, hoping that wit the write off of old irrecoverable debt the situation will improve.
					Gross Debtors		18 511 619	31 033 781		
					Bad Debts Provision		13 373 922	23 190 346		
					Billed Revenue		11 888 744	10 933 183		
C. Liquidity Management										
1.	Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months			2 Months	4 Months	Refer to Page 7 of MFMA Circular No 71	The Municipality is within the acceptable norm and will meet its obligations.
					Cash and Cash Equivalents		25 251 175	42 476 321		
					Unspent Conditional Grants		1 420 605	2 575 259		
					Overdraft		-	-		
					Short-term Investments		-	-		
					Total Annual Operational Expenditure		144 837 862	134 002 676		
2.	Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1			1.04	1.86	Refer to Page 7 of MFMA Circular No 71	The current ratio is a bit below the norm because of the DBSA Loan that is going to be financed by INEP grant
					Current Assets		44 890 150	64 469 208		
					Current Liabilities		43 267 408	34 742 452		

**APPENDIX H**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2015	2014		
<b>C. Liability Management</b>									
1.	Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%	Interest Paid Redemption Total Operating Expenditure Taxation Expense	-10.36% 2 544 903 (23 872 315) 205 932 807 -	0.58% 1 320 294 (348 650) 166 783 553 -	Refer to Page 8 of MFMA Circular No 71	The Municipality's operations are funded by grants and own revenue, only capital costs relate to the DBSA loan.
2.	Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%	Total Debt Total Operating Revenue Operational Conditional Grants	26.79% 26 720 866 236 600 276 136 874 721	40.90% 50 588 079 246 488 019 122 813 746	Refer to Page 9 of MFMA Circular No 71	The total debt relates to DBSA loan and the Municipality still manages to operate below the norm in terms of borrowings.
<b>C. Sustainability</b>									
1.	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%	Cash and Cash Equivalents Bank Overdraft Short Term Investment Long Term Investment Unspent Grants Net Assets Share Premium Share Capital Revaluation Reserve Fair Value Adjustment Reserve Accumulated Surplus	100.00% 25 251 175 - - - 1 420 605 430 757 068 - - - - 430 757 068	100.00% 42 476 321 - - - 2 575 259 400 089 598 - - - - 400 089 598	Refer to Page 9 of MFMA Circular No 71	All municipality's reserves are cash backed, unspent conditional grants as well are cash-backed.
<b>2. FINANCIAL PERFORMANCE</b>									
<b>A. Efficiency</b>									
1.	Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%	Total Operating Revenue Depreciation - Revalued Portion Total Operating Expenditure Taxation Expense	22.77% 236 090 319 - 182 326 583 -	32.36% 246 090 769 - 166 458 579 -	Refer to Page 10 of MFMA Circular No 71	The Municipality is within the required norm.
2.	Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%	Total Refuse Revenue Total Refuse Expenditure	-335.19% 3 683 710 16 030 980	-40.95% 8 640 623 12 179 075	Refer to Page 12 of MFMA Circular No 71	The Municipality is rural and currently operating at a loss because of low tariffs.

**APPENDIX H**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
						2015	2014		
B. Distribution Losses									
C. Revenue Management									
1.	Growth in Number of Active Consumer Accounts	((Period under Review's Number of Active Debtor Accounts - Previous Period's Number of Active Debtor Accounts) / Previous Number of Active Debtor Accounts) x 100	Debtors System	None		0.00%	0.00%	Refer to Page 14 of MFMA Circular No 71	
					Number of Active Debtors Accounts (Previous)	-	-		
					Number of Active Debtors Accounts (Current)	-	-		
2.	Revenue Growth (%)	((Period under Review's Total Revenue - Previous Period's Total Revenue) / Previous Period's Total Revenue) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI		-4.01%	31.58%	Refer to Page 15 of MFMA Circular No 71	Revenue decreased due to implementation of new valuation roll.
					CPI	7.00%	7.00%		
					Total Revenue (Previous)	246 488 019	187 327 432		
					Total Revenue (Current)	236 600 276	246 488 019		
3.	Revenue Growth (%) - Excluding Capital Grants	((Period under Review's Total Revenue, excluding Capital Grants - Previous Period's Total Revenue, excluding Capital Grants) / Previous Period's Total Revenue, excluding Capital Grants) x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= CPI		5.04%	11.01%	Refer to Page 15 of MFMA Circular No 71	Revenue decreased due to identification of Municipal properties that were being billed and implementation of the new valuation roll.
					CPI	7.00%	7.00%		
					Total Revenue, excluding Capital Grants (Previous)	186 115 082	167 650 856		
					Total Revenue, excluding Capital Grants (Current)	195 487 835	186 115 082		
D. Expenditure Management									
1.	Creditors Payment Period (Trade Creditors)	(Trade Creditors Outstanding / Credit Purchases (Operating and Capital)) x 365	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days		17 Days	13 Days	Refer to Page 16 of MFMA Circular No 71	The municipality pays creditors weekly.
					Trade Creditors	7 034 152	6 554 440		
					Contracted Services	7 341 493	5 646 406		
					Repairs and Maintenance	1 936 177	2 331 654		
					General Expenses	55 229 135	47 322 460		
					Bulk Purchases	-	-		
					Capital Credit Purchases	84 593 094	134 029 239		
2.	Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	((Irregular, Fruitless & Wasteful and Unauthorised Expenditure) / Total Operating Expenditure) x100	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%		0.00%	0.00%	Refer to Page 16 of MFMA Circular No 71	The Municipality is ensuring 100% implementation of policies to eliminate fruitless and wasteful expenditure and also irregular expenditure.
					Irregular, Fruitless & Wasteful and Unauthorised Expenditure	0	-		
					Total Operating Expenditure	205 932 807	166 783 553		
					Taxation Expense	-	-		
3.	Remuneration as % of Total Operating Expenditure	(Remuneration (Employee Related Costs and Councillors' Remuneration) / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%		31.68%	35.64%	Refer to Page 17 of MFMA Circular No 71	The Municipality is within the required norm.
					Employee / Personnel Related Cost	50 612 945	45 599 361		
					Councillors Remuneration	14 621 700	13 847 864		
					Total Operating Expenditure	205 932 807	166 783 553		
					Taxation Expense	-	-		
4.	Contracted Services % of Total Operating Expenditure	(Contracted Services / Total Operating Expenditure) x 100	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%		3.56%	3.39%	Refer to Page 17 of MFMA Circular No 71	The Municipality is within the required norm.
					Contracted Services	7 341 493	5 646 406		
					Total Operating Expenditure	205 932 807	166 783 553		
					Taxation Expense	-	-		



**APPENDIX H**  
**UMZIMVUBU LOCAL MUNICIPALITY**  
**RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2015**

Ratio		Formula	Data Source	Norm / Range	Input Description		Data Inputs and Results		Interpretation	Management Comments (#)
							2015	2014		
E. Grant Dependency										
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		0.00%	62.54%	Refer to Page 18 of MFMA Circular No 71	Borrowed funds were used for electrification of villages projects and the rest of the major projects were	
					Internally Generated Funds		83 817 760			
					Borrowings	-	-			
					Total Capital Expenditure	84 593 094	134 029 239			
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		0.00%	62.54%	Refer to Page 18 of MFMA Circular No 71	Capital is mostly funded from Equitable Share and MIG Grants. Only the moveable assets are funded from own revenue.	
					Internally Generated Funds		83 817 760			
					Total Capital Expenditure	84 593 094	134 029 239			
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		15.76%	19.27%	Refer to Page 18 of MFMA Circular No 71	The Municipal revenue base is very small and therefore own revenue is only 15.76 of the total revenue.	
					Total Revenue	236 600 276	246 488 019			
					Government Grant and Subsidies	210 997 462	217 028 021			
					Public Contributions and Donations	3 000	120 300			
					Capital Grants	74 122 741	94 214 276			
3. BUDGET IMPLEMENTATION										
A. Efficiency										
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		82.19%	81.23%	Refer to Page 19 of MFMA Circular No 71	The Municipality has some roll overs for the year.	
					Actual Capital Expenditure	84 593 094	134 029 239			
					Budgeted Capital Expenditure	102 919 304	164 993 540			
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		84.01%	86.94%	Refer to Page 20 of MFMA Circular No 71	The Municipality applied back to basics approach eto reduce operational expenditure.	
					Actual Operating Expenditure	205 932 807	166 783 553			
					Budgeted Operating Expenditure	245 127 835	191 828 355			
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		81.98%	79.39%	Refer to Page 20 of MFMA Circular No 71	revenue collection is still abig challenge for the Municipality.	
					Actual Operating Revenue	236 600 276	246 488 019			
					Budgeted Operating Revenue	288 601 138	310 484 585			
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		82.98%	93.27%	Refer to Page 21 of MFMA Circular No 71	The Municipality over-budgeted for rates hoping to implement a supplementary valuation roll.	
					Actual Service Charges and Property Rates Revenue	10 372 385	9 793 810			
					Budgeted Service Charges and Property Rates Revenue	12 500 000	10 500 000			
Interpretation of Results:										
	The green colour indicates that the result is within the norm and is acceptable.									
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.									
	Data should be captured in the blue coloured cell to calculate a ratio.									
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced.									